

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
MIDLAND DIVISION**



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In Re:

Remnant Oil Company, LLC and
Remnant Oil Operating, LLC,

Debtors.

Case No. 19-70106-TMD

Case No. 19-70107-TMD



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DEPOSITION OF

EVERETT WILLARD GRAY, II

TAKEN ON
WEDNESDAY, October 23, 2019
10:03 A.M.

CONGRESS CENTER
100 SOUTH CONGRESS AVENUE, SUITE 2000
AUSTIN, TEXAS 78704

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1 **DEPOSITION OF**

2 **EVERETT WILLARD GRAY, II**

3 **TAKEN ON**

4 **WEDNESDAY, October 23, 2019**

5 **10:03 A.M.**

6
7 **THE REPORTER:** We are on the record. Will
8 please introduce yourselves and state whom you represent.

9 **MS. HUNT:** Good morning. Kelsi Hunt from
10 Portillo Ronk on behalf of the Official Committee of
11 Creditors of Remnant Oil.

12 **MR. BRINKMAN:** Daren Brinkman of the same firm,
13 Brinkman Portillo Ronk.

14 **MR. HAMM:** Blake Hamm from Snow Spence Green,
15 representing Baker Petrolite, LLC, and Baker Hughes Oil
16 Operations, LLC.

17 **MR. OLDHAM:** J. T. Oldham for Kodiak Gas
18 LLC.

19 **MS. SIMMONS:** Bethany Simmons, Loeb and Loeb
20 behalf of the Debtors, Remnant Oil Company, LLC, and
21 Oil Operating, LLC.

22 **THE REPORTER:** All right. Mr. Gray, please
23 your right hand.

24 **EVERETT WILLARD GRAY, II,** having been first duly sworn,
25 examined, and testified as follows:

EXAMINATION

BY MS. HUNT:

Q. Good morning. My name is Kelsey Hunt. This Brinkman.

A. Good morning.

Q. We represent the Committee in this case. Can please state and spell your name for the record?

A. Yes. My full legal name is Everett Willard E-v-e-r-e-t-t W-i-l-l-a-r-d G-r-a-y, II.

Q. Thank you. Have you ever given a deposition

A. Yes, ma'am.

Q. Okay. How many times, approximately?

A. Three.

Q. Were those depositions in connection with Company or Remnant Oil Operating?

MS. HUNT: And just for ease of this deposition, going to refer to those two entities collectively as unless I specify one or the other.

BY MS. HUNT:

Q. So, sorry, the question was: Were those in connection with your work at Remnant?

A. No.

Q. Okay. I'm going to go over some ground rules, since you've been deposed before, I'll try to be brief.

The oath that you've taken here today is the

1 oath that you would take in a court of law. You must tell
2 truth. It carries the same penalty of perjury as if you
3 testifying in a court. Do you understand?

4 A. Yes, ma'am.

5 Q. The court reporter is making a transcript of
6 everything we say here today. You will have a chance to
7 and review that transcript and make any changes that you
8 are appropriate and then sign it. Is that understood?

9 A. Yes, ma'am.

10 Q. I am going to ask you questions. I don't want
11 guess or speculate about an answer. If you can give me an
12 educated estimate, then I am entitled to that response.
13 do not know and you do not remember, please just tell me
14 you don't know or don't remember.

15 A. Yes, ma'am.

16 Q. If you don't understand the question that I ask,
17 which is entirely possible because I am not educated in
18 and gas field, please just tell me you don't understand
19 will attempt to rephrase my question.

20 A. Yes, ma'am.

21 Q. The court reporter can only take down verbal
22 responses. Please try to avoid answering with hand
23 head nods, things of that nature. And please try to let
24 finish my question and I will try to let you finish your
25 response.

1 A. Yes, ma'am.

2 Q. Okay. Is there any reason you feel you cannot
3 your best testimony today?

4 A. No, ma'am.

5 Q. Did you review any documents to prepare yourself
6 this deposition?

7 A. Just a couple.

8 Q. Okay. And what -- what documents were those?

9 A. I believe I provided those to my counsel.

10 Q. Okay.

11 MS. HUNT: And those are included in Volume IV,
12 Bethany?

13 MS. SIMMONS: Yes.

14 MS. HUNT: Okay. Thank you.

15 MS. SIMMONS: Only with the exception, actually,
16 the schedules and SoFAs.

17 MS. HUNT: Okay.

18 MS. SIMMONS: We didn't include those.

19 BY MS. HUNT:

20 Q. Have you spoken to anyone other than your
21 about giving testimony today?

22 A. Yes.

23 Q. Who was that?

24 A. My two business partners.

25 Q. Okay.

1 A. And also two of my employees.

2 **Q. Okay. Can you give me their names?**

3 A. Britt Hirth and Patrick Seale.

4 **Q. Okay. And are those your employees or your**
5 **partners?**

6 A. Reed Gilmore is my business partner.

7 **Q. Okay.**

8 A. Bob Stitzel is my business partner. Britt Hirth
9 an employee. And Pat Seale, pardon me, is a consultant.

10 **Q. Okay. Do you understand that you are here**
11 **today on behalf of Remnant as its person most qualified to**
12 **testify to certain topics?**

13 A. Yes, ma'am.

14 **Q. Okay. I am going to hand you a document called**
15 **Amended Notice of Intent to Take a 2004 Examination of the**
16 **Debtors and E. Willard Gray, II, and Request for**
17 **Documents.**

18 (WHEREUPON, Exhibit 1 was marked for

19 **MS. HUNT:** Can you please mark this as Exhibit
20 And I have one more.

21 **COUNSEL:** Okay.

22 **BY MS. HUNT:**

23 **Q. Have you seen this document before?**

24 A. Yes, ma'am.

25 **Q. Can you please turn with me to page number 6.**

1 No. 1 is listed as "All transfers of money, property, or
2 value from Remnant Oil Company, LLC, and/or Remnant Oil
3 Operating, LLC, to each of the following persons or
4 for the time period January 1, 2018 through the
5 then there is a list A through Z.

6 Are you the person most qualified at Remnant to
7 testify to that topic?

8 A. Yes, ma'am.

9 Q. Okay. Topic No. 2 is "All transfers of money,
10 property, or other value to Remnant Oil Company, LLC,
11 Remnant Oil Operating, LLC, from each of the following
12 or entities from the time period

13 January 1, 2018 through the present," and then there is
14 that continues on to page 7, but goes A through Z.

15 Are you the person most qualified at Remnant to
16 testify to that topic?

17 A. Yes, ma'am.

18 Q. Topic No. 3 is the "Debtors' relationship,
19 but not limited to common ownership, control, and shared
20 employee(s), shared liability or assets, contractual
21 and organizational hierarchy with each of the following
22 entities," and then there is a list A through Q.

23 Are you the person most qualified at Remnant to
24 testify to that topic?

25 A. Yes, ma'am.

1 Q. Okay. Topic No. 4 is "Statements made in the
2 Declaration of E. Willard Gray, II, in support of
3 Chapter 11 Petitions and First Day Pleadings (Doc. No.

4 Are you the person most qualified at Remnant to
5 testify to that topic?

6 A. Yes, ma'am.

7 Q. Topic No. 5 is "The Debtors' budgets, as filed
8 this case related to the Debtors' cash collateral
9 DIP, DIP financing motions (Doc. Nos. 20, 42, 100, and

10 Are you the person at Remnant most qualified to
11 testify to that topic?

12 A. Yes, ma'am.

13 Q. Topic No. 6 is "All sources of operating revenue
14 non-operating income, investments, and/or revenue for the
15 Debtors."

16 Are you the person at Remnant most qualified to
17 testify to that topic?

18 A. Yes, ma'am.

19 Q. Topic No. 7, "Communications, expenditures,
20 relationships with private investment companies, media
21 advertisers and/or promoters from January 1, 2019
22 present."

23 Are you the person most qualified at Remnant to
24 testify to that topic?

25 A. Yes, ma'am.

1 Q. Topic No. 8 is "Communications between Remnant
2 Seaport Global from January 1, 2019 through the present,
3 including but not limited to any and all marketing plan
4 marketing budget(s), presentation(s) internally between
5 and Seaport and externally from Seaport to potential

6 Are you the person most qualified at Remnant to
7 testify to that topic?

8 A. Yes, ma'am.

9 Q. Topic No. 9 is "Production of oil and gas wells
10 owned, leased, and/or controlled by the Debtors from
11 2013 through the present."

12 Are you the person most qualified at Remnant to
13 testify to that topic?

14 A. Yes, ma'am.

15 Q. Topic 10 is the "Value of the Debtors' assets,
16 including, but not limited to, the Caprock Assets."

17 Are you the person most qualified at Remnant to
18 testify to that topic?

19 A. Yes, ma'am.

20 Q. Topic No. 11 is "The Debtors' acquisition and
21 whether through sale or other transfer of well interests
22 Texas from January 1, 2015 to the present, including but
23 limited to well interests owned by Remnant Oil
24 in Texas District 7C, Texas District 8, and Texas District

25 Are you the person most qualified at Remnant to

1 testify to that topic?

2 A. Yes, ma'am.

3 Q. Topic 12 is "Bids received by the Debtors for
4 Caprocks Assets, or any of them."

5 Are you the person most qualified at Remnant to
6 testify to that topic?

7 A. Yes, ma'am.

8 Q. Topic No. 13 is "Evaluations, estimates,
9 forecasting of reserves for the Caprock Assets by a
10 reservoir, or reserve engineer."

11 Are you the person most qualified at Remnant to
12 testify to that topic?

13 A. Yes, ma'am.

14 Q. And Topic No. 14 is "Valuations and appraisals
15 Caprock Assets by a production, reservoir or reserve

16 Are you the person most qualified at Remnant to
17 testify to that topic?

18 A. Yes, ma'am.

19 Q. Okay. Thank you. Okay, I'm going to go back to
20 Topic No. 1 now and start with actual questions. So Topic
21 1 is transfers of money property, or other value from
22 to other persons or entities from January 1, 2018 to the
23 present. Sub A is yourself, E. Willard Gray, II.

24 Do you have an estimate of how much money has
25 transferred from Remnant to you from January 1, 2018 to

1 **present?**

2 A. Personally, it does not go to me. It goes to
3 company that I control, WS Oil and Gas, Limited.

4 **Q. Okay. So that's down at sub K. Do you have an**
5 **estimate of how much money has been transferred to WS**
6 **Gas, Limited, from Remnant in that time period?**

7 A. It will be broken down into -- into two answers:
8 One, was the information that was provided in the SoFAs.

9 **Q. Mm-hmm.**

10 A. And -- but previous, since it didn't cover that
11 period, would be an additional approximately \$150,000.

12 **Q. Okay. So in terms of money transferred to you**
13 **personally, the total would be 0?**

14 A. That's correct, yes, ma'am.

15 **Q. Okay. Was there any transfer of property from**
16 **Remnant to either you, personally, or WS Oil and Gas in**
17 **time period?**

18 A. No, ma'am.

19 **Q. Sub B is M. Reed Gilmore, Jr. And just to**
20 **you said that is your business partner?**

21 A. Correct. Yes, ma'am.

22 **Q. Okay. How much has Remnant transferred to him**
23 **January 1, 2018 to the present?**

24 A. Similar to my structure as all partners, we're
25 through -- through our limited partnerships. So Mr. Reed

1 Gilmore, Jr., would be -- if he were compensated, which he
2 not -- been paid 0 -- would be through Gilmore Oil and

3 **Q. So he has been paid nothing from January 1, 2018**
4 **now.**

5 A. That is correct. Yes, ma'am.

6 **Q. Okay. Robert K. Stitzel. Is that your other**
7 **business partner?**

8 A. That's the third and final. Yes, ma'am.

9 **Q. Okay. So how is he paid?**

10 A. He is paid through RS Resources Limited.

11 **Q. Okay. That's down at Z. So in terms of**
12 **money to him personally, that total would be 0?**

13 A. That's correct, yes, ma'am.

14 **Q. Do you have an estimate of how much would have**
15 **transferred to RS Resources Limited?**

16 A. Similar to the answer I have given for my -- for
17 own personal, for WS Oil and Gas, it would be broken out
18 two parts. So the -- it would be the -- the data that was
19 provided in the SoFAs, and then in addition to \$90,000
20 approximately.

21 **Q. Sub D is H. Patrick Seale and that, I believe,**
22 **testified earlier is an independent contractor.**

23 A. That's correct.

24 **Q. Okay. Can -- or do you know if he is**
25 **personally?**

1 A. He is compensated through Seale Energy Partners.
2 Although he is under, as disclosed previously, he is
3 his -- he receives health benefits through Remnant Oil

4 **Q. Okay.**

5 A. Pardon me, Remnant Oil Operating.

6 **Q. So do you receive health benefits also?**

7 A. Yes, ma'am. I do.

8 **Q. And does Reed Gilmore receive health benefits?**

9 A. No, ma'am. He does not.

10 **Q. Does Robert Stitzel receive health benefits?**

11 A. Yes, ma'am. He does.

12 **Q. Do you know how much Remnant has transferred**
13 **Energy Partners from January 1, 2018 through the present?**

14 A. I can't give an exact estimate to the full
15 but other than him being on the health benefits which
16 to approximately \$2,100 per month. But we had paid him
17 previously when he was consulting on a more full-time

18 **Q. Okay. Is that previous to January 1, 2018?**

19 A. Yes, ma'am.

20 **Q. In terms of transfers to Patrick Seale**
21 **would that be 0?**

22 A. Yes, ma'am.

23 **Q. Sub E --**

24 A. Pardon me. Sorry, ma'am.

25 **Q. No, go ahead.**

1 A. Actually, so it's -- it's two parts: One,
2 H. Patrick Seale does receive the health benefits

3 Q. Okay.

4 A. Not Seale Energy Partners.

5 Q. Okay. Understood. Sub E is J. Britt Hirth.
6 tell me who that is?

7 A. Yes, ma'am. J -- Mr. -- Mr. Hirth is an
8 Remnant Oil Operating and he's our VP of Operations.

9 Q. Okay. Do you know whether J. Britt Hirth gets
10 personally or through some company?

11 A. He is paid personally.

12 Q. Okay. Do you have an estimate of how much he
13 been paid by Remnant from January 1, 2018 to the present?

14 A. His annual approximate salary is around \$200,000
15 benefits as well as a company vehicle.

16 Q. The benefits that you mentioned, does that
17 health coverage?

18 A. Yes, ma'am.

19 Q. Does that -- do the benefits include anything

20 A. It includes health, dental, vision, and a small
21 portion of term life insurance.

22 Q. Do you know approximately how much those
23 cost Remnant per month, per year, on any basis?

24 A. Would you like that question broken down by
25 all -- all employees, or at the G and A level, or at the

1 level?

2 **Q. I guess we will do them all, but --**

3 A. Yes, ma'am. Yes, ma'am. It's all -- so all-
4 encompassing, it's approximately \$21,000 per month for
5 Cross and Blue Shield. And it's approximately \$1,300
6 total for principal which is the vision and dental
7 well as the life.

8 **Q. Okay. Does Mr. Hirth work out of the Midland,**
9 **office?**

10 A. He does. Yes, ma'am.

11 **Q. Does he travel for work?**

12 A. Yes, ma'am, he does.

13 **Q. Is he the only employee who has a company**

14 A. No, ma'am, he is not.

15 **Q. Who else has a company vehicle?**

16 A. Myself, WS Oil and Gas Limited has provided a
17 vehicle.

18 **Q. Is there anyone else?**

19 A. Yes, ma'am. Then we have seven field
20 all of those individuals are provided a company vehicle.

21 **Q. Okay. You mentioned "field employees." Are**
22 **individuals all employees of Remnant or are any of them**
23 **contractors?**

24 A. We have both: Seven employees.

25 **Q. Okay. So the ones who are provided company**

1 **are they all employees?**

2 A. Yes, ma'am.

3 **Q. Okay. Do you know approximately how many field**
4 **consultants you have?**

5 A. Currently, we have Chris Smith who is a
6 David Carpenter is a consultant. Justin Alexander is a
7 consultant, and Reed -- Butch Reed Pumping Services is a
8 consultant.

9 **Q. Okay.**

10 A. In the field. I believe there's -- so -- so a
11 of four.

12 **Q. Thank you. Going back to this list under**
13 **1, sub F is David A. Richards. Can you tell me who that**

14 A. Yes, ma'am. Mr. Richards is our contract

15 **Q. Do you know whether Mr. Richards is compensated**
16 **personally or through a company?**

17 A. Personally.

18 **Q. And how much has Remnant paid Mr. Richards from**
19 **January 1, 2018 to the present?**

20 A. I can't tell you the exact amount, but I can
21 his monthly amount that he's paid.

22 **Q. Okay.**

23 A. That is \$7,500 per month.

24 **Q. Do you know if that amount has changed since**
25 **2018?**

1 A. It was a stair-stepping for a 90 -- it was a
2 trial period. So the first month it was, obviously, it
3 stepped from 5,500 for the first month, 6,500 for the
4 month. And once we decided to keep him after the trial,
5 agreed upon for 7,500 per month thereon.

6 **Q. Okay. And was he hired in 2018?**

7 A. He was -- he's been around for about seven

8 **Q. Okay. Sub G is Vicki Kay. Can you tell me**
9 **is?**

10 A. Yes, ma'am. Ms. Kay is our head of legal and
11 and she is paid as a consultant. And she is an --
12 an attorney as well.

13 **Q. Okay. And is Ms. Kay paid individually or**
14 **company?**

15 A. Through a company.

16 **Q. Do you know the name of that company?**

17 A. Yes, ma'am. VK --

18 **MR. OLDHAM:** What --

19 **THE DEPONENT:** -- VK Interests.

20 **BY MS. HUNT:**

21 **Q. How much has Remnant paid through VK Interests**
22 **January 1, 2018 to the present?**

23 A. I don't know the exact amount, but I do know the
24 exact amount she is paid monthly, and she's paid \$12,000 a
25 month.

1 **Q. Has she been working with Remnant since before**
2 **January 1, 2018?**

3 A. Yes, ma'am. Ms. Kay joined the Remnant team
4 of 2016.

5 **Q. Sub H is Victoria Stitzel. Can you tell me**
6 **is?**

7 A. Yes. Victoria Stitzel was a former employee,
8 the daughter of Bob Stitzel.

9 **Q. When you say "former," when was Victoria --**

10 A. Oh, I'm sorry. My, my apologies. Victoria
11 yes, that's his daughter-in-law. My apologies.

12 **Q. Daughter-in-law.**

13 A. And she no longer, as of two weeks ago, works at
14 Remnant.

15 **Q. When she was working at Remnant, what did she**

16 A. She was office administration, production
17 and would assist other team members with other items that
18 needed their assistance.

19 **Q. Okay. Was Ms. Stitzel fired or did she quit, or**
20 **what were the circumstances of her leaving the company?**

21 A. She -- she left the company --

22 **Q. Okay.**

23 A. -- on her own free will.

24 **Q. Do you know how much Ms. Stitzel was being**
25 **Remnant on a monthly or other basis?**

1 A. She was paid on an hourly basis, and I believe
2 commensurate with her college degree. It was around \$18
3 hour.

4 **Q. Sub I is Sarah R. Gray. Can you tell me who**

5 A. Sarah R. Gray is my estranged wife.

6 **Q. Okay. Does she do work for Remnant?**

7 A. No, ma'am. She does not.

8 **Q. Did she ever do work for Remnant?**

9 A. No, ma'am.

10 **MR. OLDHAM:** Did you say "estranged" or
11 wife? Estranged?

12 **THE DEPONENT:** Estranged.

13 **MS. HUNT:** Is that your paper?

14 **COUNSEL:** Hmm-mm.

15 **BY MS. HUNT:**

16 **Q. How long have you been estranged from your wife?**

17 A. Approximately 1.4 months.

18 **Q. Do you know if Remnant transferred any money**
19 **Gray from January 1, 2018 to the present?**

20 A. No monies have been transferred to Sarah.

21 **Q. Were there any transfers of property to Sarah?**

22 A. No, ma'am. No transfers.

23 **Q. Sub J is First Gray Corporation. Can you tell**
24 **what that is?**

25 A. Yes, ma'am. First Gray Corporation is a general

1 manager for my limited partnerships that I own.

2 **Q. Okay. So First Gray would be the general**
3 **WS Oil and Gas?**

4 A. Yes, ma'am. Correct.

5 **MR. OLDHAM:** Can we clarify? General partner of
6 Oil and Gas?

7 **THE DEPONENT:** Yes, sir.

8 **BY MS. HUNT:**

9 **Q. Do you know if there have been any transfers**
10 **or property from Remnant to First Gray Corporation?**

11 A. No, ma'am. None to First Gray Corp.

12 **Q. Sub M is Remnant Renewable Resources, LLC.**
13 **tell me what that is?**

14 A. Yes, ma'am. Remnant Renewable Resources is a
15 that is owned by WS Oil and Gas Limited, RS Resources
16 and Gilmore Oil and Gas Limited.

17 **Q. What does Remnant Renewable Resources do?**

18 A. It currently has no assets or -- or any sort of
19 business, nor has it ever.

20 **Q. Okay.**

21 A. May -- may I add something?

22 **Q. Yes.**

23 A. My apologies. Also, it's also owned a portion
24 Sarah R. Gray.

25 **Q. Okay. Going back to First Gray Corporation**

1 a second, you said it's the general partner of your other
2 limited partnerships, LLCs. I asked about WS Oil and Gas.
3 What other limited partnerships or LLCs is First Gray
4 Corporation a general partner of?

5 MS. SIMMONS: Objection. Outside the scope.

6 MR. OLDHAM: You can answer.

7 MR. BRINKMAN: Are you instructing your
8 to answer?

9 MS. SIMMONS: It's outside the scope. I don't
10 he needs to answer that question.

11 MR. OLDHAM: Just for clarification, Mr. Gray,
12 your attorney is going to make various objections
13 the day. She is going to make some questions and what
14 you. Unless she instructs you not to answer something,
15 free to answer if you know.

16 THE DEPONENT: Yes, sir.

17 MR. OLDHAM: Fair enough?

18 THE DEPONENT: Yes, sir.

19 BY MS. HUNT:

20 Q. So do you know whether First Gray Corporation is
21 general partner of any other entity other than WS Oil
22 Limited?

23 A. I'll defer to my counsel.

24 MS. SIMMONS: Objection. It's outside the
25 -- he -- he doesn't need to answer that question.

1 **MS. HUNT:** Okay. So you're instructing the

2 -

3 **MR. OLDHAM:** But not -- if he knows the answer

4 **MS. HUNT:** -- not to answer?

5 **MR. OLDHAM:** -- he needs to answer it unless
6 instructing him not to.

7 **MS. SIMMONS:** Well, do you know the answer to
8 question? Do you know?

9 **THE DEPONENT:** Yes, ma'am. I know.

10 **MS. SIMMONS:** You can answer the question.

11 **THE DEPONENT:** Okay.

12 **MS. SIMMONS:** Whether or not you know.

13 **THE DEPONENT:** Yes, ma'am. I know.

14 **BY MS. HUNT:**

15 **Q.** Okay. And can you tell me what those entities

16 **MS. SIMMONS:** Objection. Outside the scope.
17 don't need to answer that question. Don't answer that
18 question.

19 **THE DEPONENT:** Yes, ma'am.

20 **MR. OLDHAM:** So we have an instruction not to
21 and an objection to the question. Just for purposes of
22 record.

23 **BY MS. HUNT:**

24 **Q.** Are there any other entities on this list A
25 under Topic No. 1 that First Gray Corporation is a general

1 **partner of?**

2 A. Yes, ma'am.

3 **Q. What are those entities?**

4 A. Item No. X as in x-ray, As Life Trends Limited.

5 **Q. Is that the only one?**

6 A. No, ma'am. Formerly, No. R, Bird Dog Resources,
7 which is -- which is now -- oh, pardon me. That was owned
8 WS Oil and Gas Limited not First Gray Corp. Bird Dog
9 Resources, LLC, no longer exists; it's been shut down.

10 **Q. Okay. Are there any other entities on this list**
11 **First Gray Corporation is a general partner of?**

12 A. WS Oil and Gas has ownership in several of these
13 entities through -- through its GP which is First Gray
14 Corporation.

15 **Q. Okay.**

16 A. On this list.

17 **Q. And what are those entities that WS Oil and**
18 **an interest --**

19 A. Item No. M as in Mary, Remnant Renewable
20 LLC. Item No. N as in Nancy, Remnant Midstream Pipeline
21 Company, LLC. O as in Oscar, Remnant Oilfield Services,
22 P as in Paul, Mescalero Water company. Q, Silverleaf
23 LLC. And I believe I've already mentioned As Life Trends,
24 under -- under subsection X.

25 **Q. Okay. All right. Remnant Midstream Pipeline**

1 **Company, LLC, appears at sub N as in Nancy. Can you**
2 **what that LLC is?**

3 A. It's a company that was formed by WS Oil and
4 Resources, Gilmore Oil and Gas, and also Sarah R. Gray.
5 no assets, nor has it ever conducted any business.

6 **Q. Can you tell me about Remnant Oil Field**
7 **LLC?**

8 A. Yes, ma'am. It is a company that's owned by
9 and Gas Limited, RS Resources Limited, Gilmore Oil and Gas
10 Limited, and Sarah R. Gray. It has 0 assets, nor has it
11 had any business activity.

12 **Q. And can you tell me about Mescalero Water**

13 A. Yes, ma'am. It's an entity that's owned by WS
14 and Gas Limited, RS Resources Limited, Gilmore Oil and Gas
15 Limited, and Sarah R. Gray. It, too, has no assets, nor
16 ever been in -- in any sort of operations.

17 **Q. Do you know whether that entity is an LLC?**

18 A. It is, yes, ma'am. It is an LLC.

19 **Q. Can you tell me about Silverleaf Energy, LLC?**

20 A. Yes, ma'am. That is a company that's owned by
21 and Gas Limited, RS Resources Limited, and Gilmore Oil and
22 Limited, and Sarah R. Gray. It's a holding company with
23 assets that have been transferred to it.

24 **Q. Does that LLC conduct any business?**

25 A. No, ma'am, it does not. Nor has it ever.

1 **Q. Bird Dog Resources, LLC, you stated no longer**
2 **Do you know when it was dissolved?**

3 A. That is a good question because I spoke with
4 and it shows -- it should have been dissolved two years
5 don't know if it officially was dissolved, but it has
6 any operations nor any assets in it.

7 **Q. Sub S is Remnant Oil Co. Do you know what**

8 A. Yes, ma'am. That is the -- an entity that's
9 WS Oil and Gas, RS Resources Limited, Gilmore Oil and Gas
10 Limited, and Sarah R. Gray.

11 **Q. Does that entity have assets?**

12 A. Yes, ma'am. It owns the working interest in
13 the oil wells that we own, and other assets such as the
14 pipeline, wind rights, and water rights.

15 **MS. SIMMONS:** Just so the record is clear, Will,
16 you -- are you referring to Remnant Oil Co. as the -- it's
17 it's not a different entity from Remnant Oil Company, LLC,
18 is it?

19 **THE DEPONENT:** Remnant --

20 **MS. SIMMONS:** Because it -- it's unclear.

21 **THE DEPONENT:** Oh, Remnant Oil Company and
22 Oil Company, LLC, are the -- one and same.

23 **BY MS. HUNT:**

24 **Q. Okay. Do you know whether there is an entity**
25 **Remnant Oil Company, Inc., or any other designation?**

1 A. Yes, ma'am. I do. There's -- there's other
2 companies named Remnant Oil Company in Texas.

3 **Q. Are they related to Remnant Oil Company, LLC, or**
4 **Remnant Oil Operating, LLC?**

5 A. No, ma'am, they are not.

6 **Q. Okay. Do you know what Bluebird Energy, Corp.**

7 A. Yes, ma'am, it's the general partner for Gilmore
8 and Gas, LP.

9 **Q. Has Remnant transferred any money, property,**
10 **to Bluebird Energy Corp since the beginning of 2018?**

11 A. No, ma'am, it has not.

12 **Q. Sub U says Gilmore Oil and Gas, LP, which**
13 **be a duplication, so I will skip that one. Steelhead**
14 **LLC. Do you know what that is?**

15 A. This would be a best guess and I do -- I do know
16 it is -- that Reed Gilmore has some sort of affiliation
17 Steelhead Ventures.

18 **Q. Do you know if Remnant has transferred any**
19 **property, or value to Steelhead Ventures?**

20 A. No, ma'am, we have not.

21 **Q. Do you know what Dala Petroleum Corp. is?**

22 A. Yes, ma'am, I do.

23 **Q. Can you tell me --**

24 A. It was a corporation I used to work for.

25 **Q. Did you have an ownership interest in it?**

1 A. Yes, ma'am, I did.

2 Q. Do you know approximately when you had an
3 interest in Dala Petroleum Corp.?

4 A. Yes, ma'am, approximately from --
5 2013 to the end of 2014.

6 Q. When did -- when was Remnant founded?

7 A. It was founded in February of 2016.

8 COUNSEL: What was that, sir?

9 MR. OLDHAM: He said February of 2016.

10 BY MS. HUNT:

11 Q. So then would it be accurate to state that you
12 not have an interest in Dala Petroleum Corp. at the same
13 that you had an interest in Remnant?

14 A. That's correct. Yes, ma'am.

15 Q. Okay. And has Remnant ever transferred any
16 value, property to Dala Petroleum Corp.?

17 A. No, ma'am, they have not.

18 Q. On Gilmore Oil and Gas, has Remnant
19 money, property, or other value to that entity from
20 2018 to present?

21 A. Gilmore Oil and Gas, LP?

22 Q. Yes.

23 A. No, ma'am, they have not.

24 Q. Okay. As Life Trends LTD, you previously stated
25 First Gray Corporation has an interest in that. What is

1 **entity?**

2 A. It is a company that has not operated since
3 has no assets. It is currently in the process of being
4 down.

5 **Q. Okay. So is it fair to say that Remnant has**
6 **transferred anything to that entity?**

7 A. That is correct, ma'am. No transfers have
8 to that entity.

9 **Q. Do you know what Stitzel Corp. is?**

10 A. Yes, ma'am. Stitzel Corp. is the GP for RS
11 Limited.

12 **Q. And has Remnant transferred any money, property,**
13 **other value since the beginning of 2018 to Stitzel Corp.?**

14 A. Other than as I explained to the partner,
15 Resources, no, ma'am, it has not.

16 **Q. Okay. The list A through Z under Topic No. 2 is**
17 **same as the list under Topic No. 1?**

18 A. Yes, ma'am.

19 **Q. Thank you. So we just talked about transfers**
20 **Remnant to these various persons and entities. Topic 2**
21 **the same question but in the reverse.**

22 A. Yes, ma'am.

23 **Q. Whether any money, property, value has been**
24 **transferred from the persons or entities to Remnant.**

25 A. Correct. So contributions of either money,

1 or et cetera to the debtors.

2 **Q. Correct. Have you, personally, contributed**
3 **property, or other values to the debtor since the**
4 **2018?**

5 A. I, personally, have not. WS Oil and Gas Limited

6 **Q. What has WS Oil and Gas contributed?**

7 A. Since the present time, since 2016,
8 want to say just under a million dollars.

9 **Q. Was that all in cash?**

10 A. It was in cash and also deferred notes.

11 **Q. Were these deferred notes repayable to WS Oil**
12 **Gas?**

13 A. They were repayable to RS Resources and
14 and Gas Limited that were payable to myself, WS -- WS
15 Gas.

16 **Q. Okay. So Gilmore Oil and Gas also contributed**
17 **deferred notes then? Is that correct?**

18 A. Gilmore Oil and Gas has essentially just --
19 contributed cash to Remnant Oil Company since inception.

20 **Q. Do you know approximately how much?**

21 A. Yes, ma'am, approximately \$7,000,000 in cash
22 formation.

23 **MR. OLDHAM:** Was that in the form of a cash call
24 was that a promissory note?

25 **THE DEPONENT:** Yes, sir, as a promissory note.

1 **MR. OLDHAM:** Okay. Has the money been repaid?

2 **THE DEPONENT:** No, sir, it has not.

3 **BY MS. HUNT:**

4 **Q. Do you know when that money is due to be repaid?**

5 A. No, ma'am. I -- I don't know the answer to

6 Can I also add something?

7 **Q. Yes.**

8 A. I apologize. He also added an additional
9 post-petition as a DIP provider via -- via Gilmore Oil and
10 on top of the contribution of \$7,000,000.

11 **Q. Okay. You also mentioned RS Resources Limited.**
12 **that entity made contributions to Remnant?**

13 A. Since inception, yes, ma'am.

14 **Q. Do you know approximately how much?**

15 A. Approximately \$60,000.

16 **Q. In what form?**

17 A. Cash. Well, pardon me, let me back up. So
18 the formation, he contributed \$400,000 which was a loan to
19 company.

20 **Q. Has that been repaid?**

21 A. No, ma'am, it has not. But that note has been
22 assigned to myself, WS Oil and Gas.

23 **Q. Okay. So Remnant no longer has liability on**
24 **note?**

25 A. It does -- it does to myself. It has

1 that note to WS Oil and Gas Limited which has not been

2 **Q. Has Reed Gilmore, personally, other than through**
3 **Gilmore Oil and Gas, transferred money, property, or value**
4 **Remnant?**

5 A. No, ma'am.

6 **Q. Okay. Has Robert Stitzel, personally,**
7 **anything to Remnant?**

8 A. None except through RS Resources.

9 **Q. Has Patrick Seale transferred money, property,**
10 **other value to Remnant?**

11 A. No, ma'am, he has not.

12 **Q. Has Britt Hirth transferred money, property,**
13 **value to Remnant?**

14 A. Under "value," prior to his employment, he was a
15 consultant which was so as set forth in the SoFAS. He
16 approximately \$21,000.

17 **Q. Do you know approximately when Britt Hirth**
18 **being a consultant to being an employee?**

19 A. I don't have the exact date, but I would say
20 approximately late 2017. And I'd like to also go back, my
21 apologies. H. Patrick Seale, also, per the SoFAS, does
22 outstanding balance as well, which has not been paid back,
23 believe, in the amount of \$120,000.

24 **Q. Is that for his work as a consultant?**

25 A. Yes, ma'am.

1 **Q. Okay. Has David Richards transferred money,**
2 **property, or other value to Remnant?**

3 A. No, ma'am.

4 **Q. Okay. Has Vicki Kay transferred money,**
5 **other value to Remnant?**

6 A. No, ma'am.

7 **Q. Has Victoria Stitzel transferred money,**
8 **other value to Remnant?**

9 A. No, ma'am.

10 **Q. Has Sarah Gray transferred money, property, or**
11 **value to Remnant?**

12 A. No, ma'am.

13 **Q. Has First Gray Corporation, as an individual**
14 **not through WS, transferred money, property, or value to**
15 **Remnant?**

16 A. No, ma'am.

17 **Q. Has Remnant Renewable Resources, LLC,**
18 **money, property, or other value to Remnant?**

19 A. No, ma'am.

20 **Q. Has Remnant Midstream Pipeline Company, LLC,**
21 **transferred money, property, or other value to Remnant?**

22 A. No, ma'am.

23 **Q. Has --**

24 **MR. OLDHAM:** Is there any other entity on here
25 has transferred money or property to Remnant?

1 **THE DEPONENT:** No, sir.

2 **MR. OLDHAM:** Okay. That we haven't already
3 about?

4 **THE DEPONENT:** Yes, sir.

5 **MR. OLDHAM:** Okay.

6 **BY MS. HUNT:**

7 **Q. Can you tell me why the \$400,000 note was**
8 **to WS Oil and Gas?**

9 A. He was in default of payment. RS Resources was
10 -- was in default of payment.

11 **MR. OLDHAM:** Did you mean RS Resources was in --
12 that he was in default of payment to RS Resources?

13 **THE DEPONENT:** That's correct; thus, RS
14 in default of payment to me. So WS Oil and Gas assumed
15 note which I -- which has been restructured with the

16 **BY MS. HUNT:**

17 **Q. Do you know approximately how much Remnant**
18 **that note right now?**

19 A. On that particular note, \$400,000.

20 **Q. Okay. It's not accruing interest?**

21 A. No, ma'am, it's not.

22 **Q. Have you produced that note to Counsel?**

23 A. I cannot recall.

24 **Q. Has --**

25 **MS. SIMMONS:** It hasn't been produced, but it

1 called for in production. You can -- you -- if you make a
2 request for the production, we can try to find it.

3 **MS. HUNT:** Okay.

4 **MS. SIMMONS:** If anybody asks for it.

5 **MR. BRINKMAN:** Can you produce that?

6 **MS. SIMMONS:** I, just -- I assume we can find
7 I'll make a note to --

8 **MR. BRINKMAN:** Yes.

9 **MS. SIMMONS:** -- follow up.

10 **BY MS. HUNT:**

11 **Q.** Okay. Number 3 is the Debtors' relationship
12 various entities. Does First Gray Corporation have any
13 relationship with Remnant other than the fact that you own
14 of them?

15 **A.** No, it does not.

16 **Q.** Is the same true for WS Oil and Gas?

17 **A.** Same for -- yes -- yes -- I'm sorry, one more
18 Can you please repeat the question?

19 **Q.** Sure. Other than the fact that you own or
20 ownership interest in both Remnant and WS Oil and Gas,
21 any other relationship between those entities?

22 **A.** No, no.

23 **Q.** Are there any --

24 **MR. OLDHAM:** Can I request for clarification.

25 Relationship between the two entities with what do we

1 **MS. HUNT:** Common ownership or control.

2 I was referring to with that question.

3 **MR. OLDHAM:** Okay.

4 **BY MS. HUNT:**

5 **Q. Are there any shared liabilities between Remnant**
6 **WS Oil and Gas?**

7 A. Yes, ma'am, there are shared liability.

8 **Q. To whom are those liabilities owed?**

9 A. To First Capital Bank, 3-2-1 Partners, and
10 Services.

11 **Q. Does First Gray Corporation have any common**
12 **with Remnant?**

13 A. No, ma'am, other than through WS Oil and Gas

14 **Q. Okay. Are there any assets that are owned**
15 **Remnant and First Gray Corporation?**

16 A. No, ma'am, there are not.

17 **Q. How about WS Oil and Gas?**

18 A. No, ma'am, there are not.

19 **Q. Okay. Does WS Oil and Gas have a guarantee on**
20 **Remnant's debt with First Capital?**

21 A. Yes, ma'am, we do.

22 **Q. And was that a guarantee on 3-2-1 Partners,**

23 A. Yes, ma'am. It's a personal guarantee, correct.

24 **MR. OLDHAM:** Personal guarantee with Will
25 WS, or with First Gray?

1 **THE DEPONENT:** It's with Will Gray and WS Oil
2 Limited. Yes, sir.

3 **BY MS. HUNT:**

4 **Q. Did any other entity guarantee Remnant's debts?**

5 A. Yes, they did.

6 **Q. What entities are those?**

7 A. Gilmore Oil and Gas and Reed Gilmore
8 First Capital Bank. Also Reed Gilmore and Gilmore Oil and
9 with Cargill. And those are his only two. And then RS
10 Resources and Bob Stitzel is with First Capital Bank and
11 is all.

12 **Q. Did any other person or entity guarantee the 3-**
13 **Partners debt?**

14 A. I, myself, was the only partner that
15 -- that particular note.

16 **Q. Okay.**

17 **MR. OLDHAM:** Is there any co-debts on Schedule H
18 need to be admitted, in other words 3-2-1 Partners, co-
19 or Remnant Oil Operating? So just the two remnant Oil
20 are just the two debtors? Those are the only two liable
21 2-1 Partners?

22 **THE DEPONENT:** And it should have been
23 should be amended. Yes, sir.

24 **MR. OLDHAM:** Okay.

25 **BY MS. HUNT:**

1 **Q. Have you, personally, guaranteed any other debts**
2 **Remnant?**

3 A. No, ma'am, I have not.

4 **Q. Has WS Oil and Gas guaranteed any other debts of**
5 **Remnant?**

6 A. Other than what I have spoken of, no, ma'am, I
7 not.

8 **Q. Okay. If you review the list here D through P**
9 **we already discussed Q, are there any of those entities**
10 **have shared liability with Remnant?**

11 A. No, ma'am, they do not.

12 **Q. Do you know who is liable with Remnant to**

13 A. Yes, ma'am. In the judgment that was filed,
14 WS Oil and Gas Limited. I think -- and I do think that
15 were other entities named within that, but I do -- I
16 recall all of the specific entities.

17 **Q. Okay.**

18 **MR. OLDHAM:** And I see that the document has
19 produced, the agreed judgment. The entities are listed on
20 agreed judgment.

21 **MS. HUNT:** Yeah. I believe at least two of D,
22 F are included on that debt.

23 **MR. OLDHAM:** Excuse me?

24 **MS. HUNT:** Two have been. I believe at least
25 D, E, and F are included on the Kodiak debt, but we have

1 documents.

2 **MR. OLDHAM:** Okay. Let's take a break?

3 **COUNSEL:** Yeah. Take a break.

4 **THE REPORTER:** We're off the record.

5 **(WHEREUPON, a recess was taken.)**

6 **THE REPORTER:** We are on the record.

7 **BY MS. HUNT:**

8 **Q.** Okay. We are, I think, almost finished with
9 No. 3, but one last thing. If you look at sub D through
10 are there any of those entities that have any shared
11 with Remnant?

12 **A.** No, ma'am. No shared assets.

13 **Q.** Topic No. 4 is "Statements made in the
14 E. Willard Gray, II, in support of Chapter 11 Petitions
15 First Day Pleadings." I am going to hand you that

16 **(WHEREUPON, Exhibit 2 was marked for**

17 **MS. HUNT:** And will you mark that as Exhibit 2
18 please? Thank you.

19 **BY MS. HUNT:**

20 **Q.** Can you please turn to page number 22 which is
21 last page. Is that your signature?

22 **A.** Yes, ma'am, it is.

23 **Q.** Please turn to page 3. In paragraph number 6,
24 last sentence reads, "The remaining 45 wells in the Non-
25 Properties are scattered wells, many of which will be

1 **for potential divestiture at a future date." Did I read**
2 **correctly?**

3 A. That is -- yes.

4 **Q. Can you explain what you mean by "evaluated"**
5 **sentence?**

6 A. So "evaluation" could mean a multitude of
7 things. Can you kind of further expound on that what
8 what you're trying to -- what you really want to know

9 **Q. I'm wondering how Remnant is trying to**
10 **wells and what markers it might be looking for in order to**
11 **determine whether or not to divest at a future date.**

12 A. These are a lot of stranded wells that are one-
13 So essentially trying to locate off-set operators that
14 want to acquire them for P and A liability, or could we go
15 on geological perspective and go back up and find oil they
16 "behind pipe."

17 **Q. So does that mean that Remnant definitely**
18 **get rid of them but just doesn't know how?**

19 A. No, ma'am. It means that we will evaluate
20 potential divestiture at a later date.

21 **Q. Is that something that you would do in-house or**
22 **something you would hire someone else to do?**

23 A. Those particular wells, we would probably

24 **Q. Do you --**

25 **MR. OLDHAM:** So what's -- what's the hold --

1 What's the hold up?

2 **THE DEPONENT:** The hold up on that was to --
3 understand what the Caprock bids were.

4 **MR. OLDHAM:** You can't dual-track them?

5 **THE DEPONENT:** We wanted to keep a lot of
6 to reorganize around.

7 **MR. OLDHAM:** Okay. It says "evaluated for
8 divestiture at a future date." Have they been evaluated?

9 **THE DEPONENT:** No, sir, they have not. Some --
10 pardon me, some have and some have not.

11 **MR. OLDHAM:** How many?

12 **THE DEPONENT:** I'd say five.

13 **MR. OLDHAM:** Five of the 45?

14 **THE DEPONENT:** Yes, sir.

15 **MR. OLDHAM:** Okay. So the other 40 are waiting
16 --

17 **THE DEPONENT:** Waiting on to determine what
18 outcome of the -- the Caprock marketing process.

19 **MR. OLDHAM:** Has that run its course?

20 **THE DEPONENT:** Yes, sir, it has.

21 **MR. OLDHAM:** Okay. So what as the outcome?

22 **THE DEPONENT:** The outcome was no bids were
23 on the Caprock Asset. An offer was submitted past the
24 from Mr. Bill Briscoe.

25 **MR. OLDHAM:** Okay. So now that we're past that

1 point, can they be evaluated now?

2 **THE DEPONENT:** Yes, sir.

3 **MR. OLDHAM:** Okay. Who's going to do that?

4 **THE DEPONENT:** I would like to confer with the
5 Creditor's Committee. There are two firms that we'd
6 utilize to actually mark it a number of assets that go
7 the 45 wells.

8 **MR. OLDHAM:** Okay. Have you reached out to the
9 Committee to consult with them about that?

10 **THE DEPONENT:** That was part of what I like to
11 spoke with counsel on that this morning to do that

12 **MR. OLDHAM:** I'm sorry, so that's a yes?

13 **THE DEPONENT:** Yes.

14 **MR. OLDHAM:** Okay. So you've conferred with
15 counsel, or with the committee?

16 **THE DEPONENT:** With my counsel.

17 **MR. OLDHAM:** Okay.

18 **MS. SIMMONS:** Just be careful you're not
19 any kind of privileged information.

20 **THE DEPONENT:** Mm-hmm.

21 **MR. OLDHAM:** Okay. Sorry, go ahead.

22 **BY MS. HUNT:**

23 **Q.** Do you have an idea of how much it's going to
24 get those remaining wells evaluated?

25 **A.** I do not. No.

1 **Q. As you sit here right now, do you know the names**
2 **those two firms that you were considering for marketing**
3 **assets?**

4 A. Yes.

5 **Q. What are those names?**

6 A. PLS -- it was formerly known as PLS. I don't
7 the -- the new name.

8 **MR. HAMM:** AEG.

9 **THE DEPONENT:** It's -- it's changed. And
10 Energy Net.

11 **COUNSEL:** Mr. Hamm, did you say A-G-E?

12 **MR. HAMM:** I think it's AEG.

13 **COUNSEL:** AEG. Thank you.

14 **BY MS. HUNT:**

15 **Q. Okay. In paragraph 7, still on page 3, you**
16 **"Remnant owns wind rights valued at \$4,000,000 and water**
17 **valued at \$3,000,000." Who did those valuations?**

18 A. The wind rights were internal valuations and the
19 water rights were also internal valuations.

20 **Q. Can you explain how you got to those numbers?**

21 A. Based upon market -- market pricing.

22 **Q. So did someone at Remnant go out and look at**
23 **wind rights and water rights that were available?**

24 A. On the wind, no; on the water, yes.

25 **Q. How was market pricing for wind rights**

1 A. Essentially, we looked at the potential for the
2 turbines to be placed on the assets over the life period
3 lease of 34 years.

4 Q. Do you have a copy of the lease, the lease
5 just talked about?

6 A. Yes.

7 Q. Okay.

8 MS. HUNT: Has that been provided.

9 MS. SIMMONS: Yes.

10 MS. HUNT: Okay. Do you happen to know in
11 it was because I didn't see it.

12 MS. SIMMONS: It would be in the first batch.

13 MR. OLDHAM: ROC-1365 through -- those are Bates
14 Numbers for the record -- ROC-1395.

15 MS. HUNT: I'm not sure why I missed that.
16 you.

17 MS. SIMMONS: Can we go off the record for
18 second?

19 (WHEREUPON, a recess was taken.)

20 THE REPORTER: We are on the record.

21 BY MS. HUNT:

22 Q. You stated the term of the lease is 34 years; is
23 correct?

24 A. That's correct.

25 Q. So I'm reading from ROC-1369 which is page 5

1 lease. It says, "The term of this lease begins on the
2 effective date and terminates upon the earlier of: a)
3 after the effective date, or b) the date the lease is
4 terminated as permitted herein or by operations law." Was
5 lease executed six years ago?

6 A. No, it was not.

7 Q. Okay. Is there any sort of amendment to this
8 that would affect the term?

9 A. No.

10 Q. Okay. So as far as you know, the term is 40

11 A. It would be what's stated in the document.

12 Q. Okay.

13 MR. OLDHAM: Which document?

14 THE DEPONENT: In the --

15 MR. OLDHAM: The -- the declaration or the
16 lease?

17 THE DEPONENT: In the actual lease.

18 MR. OLDHAM: How did you get 34 years?

19 THE DEPONENT: I -- that was -- that was
20 what it was.

21 BY MS. HUNT:

22 Q. It appears to me that this lease was executed in
23 approximately January 2019. Does that sound right to you?

24 A. Yes, ma'am.

25 Q. Okay. In paragraph 7 of your declaration, you

1 about "minimum royalty payments for over 30 years." Do
2 know what those royalty payments are? Are they a
3 Are they a fixed number?

4 A. It was a fixed number that escalated based on
5 number of acres under the lease.

6 Q. Just for clarity, you talk about two different
7 leases. Is that true for both of them?

8 A. That's correct. To my knowledge, correct.

9 MS. SIMMONS: Let the record reflect, Mr. Gray
10 not have a copy of the wind lease in front of him.

11 BY MS. HUNT:

12 Q. At the end of this paragraph 7 of your
13 you state that the net present value was approximately
14 \$4,000,000. Do you know how you got to that number?

15 A. Deriving the number of the minimum royalty
16 that was described in the wind lease over the life of
17 life of the property.

18 MR. OLDHAM: How much in royalty of wind rights?

19 THE DEPONENT: Currently, right now, nothing.

20 MR. OLDHAM: So you anticipate that number going

21 THE DEPONENT: So right now, yes, sir.

22 MR. OLDHAM: All right.

23 BY MS. HUNT:

24 Q. When do you anticipate that number going up?

25 A. Payments will begin in Q3 of 2020.

1 **Q. Okay. Is that based on any conditions, or is**
2 **fixed date?**

3 A. It's based on -- there are conditions.

4 **Q. Do you know what the conditions are?**

5 A. That is out of the scope of my knowledge. It
6 been verbally communicated to me by EDF. That's when --
7 when they think they will have their first phase

8 **Q. So Remnant receiving royalty payments is**
9 **upon construction of some kind?**

10 A. Correct. Construction is underway right now.

11 **Q. Okay.**

12 A. The transmission line is being laid.

13 **Q. Do actual wind turbines need to be on Remnant**
14 **property before Remnant receives royalties?**

15 A. Yes. I need to clarify that. No, because there
16 minimum royalties even if there's no turbines placed on
17 property.

18 **Q. This value of \$4,000,000, was that calculated**
19 **assuming that there would be turbines on the property?**

20 A. No, ma'am. I believe that was calculated
21 no turbines on the property.

22 **Q. So do you believe this to be a base number, this**
23 **\$4,000,000?**

24 A. To the best of my knowledge.

25 **MR. OLDHAM:** And the minimum payments, when do

1 begin?

2 **THE DEPONENT:** They begin -- the first set will
3 begin, again from as previously stated, from what we've
4 told by EDF, in sometime in Q3 of 2020.

5 **MR. OLDHAM:** I thought you said the construction
6 supposed to be completed by Q3 of 2020.

7 **THE DEPONENT:** The payments will kick in when
8 turbines are --

9 **MR. OLDHAM:** And -- and I believe her question
10 correct me if I'm wrong -- was that are there minimum
11 that you would receive if there are no turbines?

12 **THE DEPONENT:** Yes, sir. Yeah, I -- I -- I
13 said that there's -- regardless if they put turbines on
14 property, we would still receive minimum payments that are
15 forth in the document.

16 **MR. OLDHAM:** And that's what aggregates to the
17 \$4,000,000?

18 **THE DEPONENT:** That's correct, yes, sir.

19 **MR. OLDHAM:** Okay. So if they're constructing
20 turbines on the property, the number is going to be
21 significantly higher than that; right?

22 **THE DEPONENT:** It could be, yes, sir.

23 **MR. OLDHAM:** Okay. Why did you use a figure
24 the fact that they can never put -- or never build
25 Remnant property?

1 **THE DEPONENT:** Because we -- we didn't know if
2 would or not.

3 **MR. OLDHAM:** And the -- the minimum monthly
4 that start at Q3 that we've been referencing in the
5 declaration, are those written into the actual lease

6 **THE DEPONENT:** Yes, sir, they are.

7 **MR. OLDHAM:** Okay. And you said there were
8 agreements?

9 **THE DEPONENT:** Yes, sir.

10 **MR. OLDHAM:** Okay. I've only seen one of
11 one that counsel has been reading from. Is the other
12 how are they different?

13 **THE DEPONENT:** The original one is -- was
14 believe, in late September.

15 **MR. OLDHAM:** Okay.

16 **THE DEPONENT:** And then additional -- yeah, so
17 - that's how.

18 **MR. OLDHAM:** Okay. And this is -- part of
19 just a term of art in the legal industry. When we say
20 "amended" in the legal industry, we're referring back to
21 same lease as opposed to two leases.

22 **THE DEPONENT:** That's correct. They took one
23 and divided it into two.

24 **MR. OLDHAM:** Okay. When was that?

25 **THE DEPONENT:** That was approximately in

1 this year, of 2019.

2 **MR. OLDHAM:** Okay. They "they" pronoun used
3 sentence, you is it? EDF?

4 **THE DEPONENT:** EDF. Yes, sir.

5 **MR. OLDHAM:** Okay. So two different leases with
6 They took one lease that you had pre-petition and split it
7 September of this year?

8 **THE DEPONENT:** That's correct. Yes, sir.

9 **MR. OLDHAM:** Does that change the valuation of
10 \$3,000,000, or \$4,000,000?

11 **THE DEPONENT:** No. It's -- it's still a
12 I don't -- that I -- I -- I, honestly, cannot give a
13 whether it's going to be higher than that.

14 **MR. OLDHAM:** Okay. But you know it's not
15 any lower than that.

16 **THE DEPONENT:** Right. It's the -- the minimum
17 royalty payment stayed the same.

18 **MR. OLDHAM:** Okay. So what was the basis for
19 offering \$100,000?

20 **THE DEPONENT:** I can't answer that.

21 **MR. OLDHAM:** Okay. And just for the record, I
22 I'm cutting in because I'm trying to save us some time
23 having to bring up irrelevant stuff; is that okay?

24 **MR. BRINKMAN:** Can produce those two amended

25 **THE DEPONENT:** Oh, yes, yes, sir.

1 **MS. SIMMONS:** To the extent they haven't already
2 produced.

3 **BY MS. HUNT:**

4 **Q.** Okay. I want to just clarify a couple of
5 This declaration is dated July 16, 2019, which you can
6 by turning to page 22 if you wish. And in --

7 **A.** Yes, ma'am.

8 **Q.** -- in July, you say Remnant -- I'm reading from
9 paragraph 7.

10 **A.** Mm-hmm.

11 **Q.** Second sentence: Remnant Company executed a
12 lease with EDF Renewables Development, Inc., ("EDF") on
13 December 11, 2018 for approximately 960 acres. A separate
14 lease was executed with EDF that same day -- date,
15 day -- for an additional approximately 3,190 acres.

16 **A.** My prior statement was incorrect.

17 **Q.** Okay.

18 **A.** From counsel inquiring if -- if it was one lease
19 was then segregated into two. There were two leases pre-
20 petition.

21 **Q.** Okay.

22 **A.** In September of this year, of '19, they just
23 still kept two leases but just broke out the acreage
24 differently.

25 **Q.** So the two leases cover the same acres now as

1 **did pre-petition. They were just re-written.**

2 A. That's correct.

3 **Q. Okay.**

4 **MR. OLDHAM:** Why were they re-written?

5 **THE DEPONENT:** To the best of my knowledge, it
6 re-written -- EDF had sold the project to Tucson Electric,
7 and, basically, it was -- they wanted to include a larger
8 portion of one of the leases within what they call their
9 I.

10 **MR. OLDHAM:** I got you.

11 **THE DEPONENT:** Can I have one minute, please, to
12 speak with my counsel?

13 **MS. HUNT:** Yes, let's go off the record.

14 **(WHEREUPON, a recess was taken.)**

15 **THE REPORTER:** We are on the record.

16 **THE DEPONENT:** I did want to expound on my -- on
17 on the wind rights because I don't believe -- we've
18 the documents I believe, but we also have -- so,
19 when you start to calculate the minimum annual royalty, so
20 look at these two leases.

21 One thing also that we have is not an actual
22 but Remnant also owns 50 percent interest in approximately
23 acres as well that's adjacent to these assets. Now,
24 lease because we're not the executor of those lease --
25 wind rights like we are with these particular leases.

1 So whenever we bought assets from Legacy
2 the Caprock Assets that were effective April 1 of 2017, we
3 assigned, of course, the surface, and, you know, and the
4 They had essentially retained a 50 percent wind right on
5 surface they had sold -- sold to a group called Limestone
6 Livestock.

7 So, again, there's no actual lease, but -- so,
8 essentially it's a -- we have a 50 percent royalty in that
9 acreage. I just wanted to make sure that that everyone
10 understood that. So when we start, you know, to calculate
11 everything, that's how -- that's part of the asset base.

12 **MR. OLDHAM:** Is that listed somewhere on the
13 schedules?

14 **THE DEPONENT:** I don't know the answer to that.

15 **MR. OLDHAM:** Okay. But you consider it an
16 right?

17 **THE DEPONENT:** Oh, yes, sir.

18 **MR. OLDHAM:** Okay. What's the royalty on that?

19 **THE DEPONENT:** It was -- it's inclusive of the
20 the \$4,000,000 valuation.

21 **MR. OLDHAM:** Of the wind rights, or of the

22 **THE DEPONENT:** Of the wind rights.

23 **MR. OLDHAM:** Okay.

24 **MR. HAMM:** So would it be fair to characterize
25 as that Remnant Oil Company owns 50 percent royalty and

1 additional wind right acreage that is owned by Legacy?

2 **THE DEPONENT:** That is owned by Limestone.

3 **MR. HAMM:** Owned by Limestone.

4 **THE DEPONENT:** Conveyed by Legacy.

5 **MR. OLDHAM:** And you said that's part of the
6 \$4,000,000 valuation?

7 **THE DEPONENT:** Yes, sir. Correct.

8 **MR. OLDHAM:** Okay. This is -- part of this is
9 confusion about the oil industry. Previously, it was my
10 understanding that you said the \$4,000,000 valuation was
11 on minimum monthly payments that begin Q3 of next year
12 next 40 years, the terms of which are all written in the
13 that were produced.

14 **THE DEPONENT:** Right.

15 **MR. OLDHAM:** Or in the leases that were

16 **THE DEPONENT:** Right.

17 **MR. OLDHAM:** If it's based on the minimum
18 payments, how does this additional 50 percent royalty
19 calculate into that number?

20 **THE DEPONENT:** We are just looking at the
21 using the same calculations that our lease stipulated.

22 **MR. OLDHAM:** When you say "we," you mean the

23 **THE DEPONENT:** Yes, sir.

24 **MR. OLDHAM:** Okay. So and those are not
25 the two leases?

1 **THE DEPONENT:** That is correct. Yes, sir.

2 **MR. OLDHAM:** Okay.

3 **MR. HAMM:** And Limestone owns the executive
4 for the additional acreage?

5 **THE DEPONENT:** Yes, sir, they do.

6 **MR. OLDHAM:** So did I misstate your prior
7 when I say the \$4,000,000 is based on minimum monthly
8 that begin Q3 of 2020 and they run for 40 years?

9 **THE DEPONENT:** It's based upon the -- all of the
10 all of the wind assets that the debtors own.

11 **MR. OLDHAM:** Okay. So the minimum monthly
12 and something else, the 50 percent royalty.

13 **THE DEPONENT:** Well, that's -- that's
14 the minimum. So -- so essentially, if they put 0 wind
15 on any of the -- the wind rights that we own, then -- then
16 we're subject to minimum royalty payments.

17 **MR. OLDHAM:** Okay. Do you list royalty payments
18 the 50 percent that you just described?

19 **THE DEPONENT:** That's correct. Yes, sir.

20 **MR. OLDHAM:** Okay. But that's not listed in the
21 leases.

22 **THE DEPONENT:** No, sir, it's not.

23 **MR. OLDHAM:** Okay. Who pays that?

24 **THE DEPONENT:** That's be -- that'll be paid
25 by EDF or whoever operates the -- the -- the wind farm.

1 **MR. OLDHAM:** So --

2 **THE DEPONENT:** It will not -- it will not be
3 Limestone.

4 **MR. OLDHAM:** So is there an actual lease for

5 **THE DEPONENT:** We don't have a copy of that, but
6 there is a -- there is a lease.

7 **MR. OLDHAM:** Who is it with?

8 **THE DEPONENT:** Limestone and EDF.

9 **MR. OLDHAM:** Okay.

10 **MR. HAMM:** Is this TEP taking over that

11 **THE DEPONENT:** I don't know the answer to that.

12 **MR. HAMM:** Okay.

13 **MR. OLDHAM:** And so the \$4,000,000 valuation
14 on the minimum monthly payments under the two leases
15 talked about that you all produced. What is that

16 **THE DEPONENT:** I -- I don't know off the top
17 head.

18 **MR. OLDHAM:** When you put the declaration
19 what did you do to come up with that number?

20 **THE DEPONENT:** We used the two leases in
21 the 50 percent wind rights that we do not have a lease
22 determine that valuation.

23 **MR. OLDHAM:** Okay. What are the minimum monthly
24 payments for that 50 percent?

25 **THE DEPONENT:** I don't know the answer to that

1 the top of my head.

2 **MR. OLDHAM:** Can you give me a general number?

3 **THE DEPONENT:** I really can't answer that.

4 **MR. OLDHAM:** Do you -- do you know when they

5 **THE DEPONENT:** They start upon the completion of
6 Phase I.

7 **MR. OLDHAM:** Okay. When is that?

8 **THE DEPONENT:** Approximately Q3 of 2020 from
9 I've been verbally told by EDF.

10 **MR. OLDHAM:** Okay. What -- what's the
11 we could look at to see what interests the debtors have?

12 **THE DEPONENT:** The assignment and bill of sale
13 was effectuated April 1st of 2017 from Legacy Reserves.

14 **MR. OLDHAM:** Okay.

15 **THE DEPONENT:** In addition to the conveyance
16 that Legacy executed with Limestone.

17 **MR. OLDHAM:** Okay. And is -- how is EDF a party
18 those documents?

19 **THE DEPONENT:** They're not party to either of
20 two of those documents.

21 **MR. OLDHAM:** All right. So and we'd also need
22 whatever lease agreement is between EDF and --

23 **THE DEPONENT:** And Limestone.

24 **MR. OLDHAM:** -- Limestone; correct?

25 **THE DEPONENT:** And we do not have a copy of

1 **MR. OLDHAM:** Can you --

2 **THE DEPONENT:** I was told verbally that they
3 was the exact same lease. And we will request a copy of

4 **MR. OLDHAM:** Okay. The exact same lease as to
5 to what? As these two? I don't mean exact same lease,

6 **THE DEPONENT:** Right, we will --

7 **MR. OLDHAM:** -- are they the same terms?

8 **THE DEPONENT:** I will ask for it. Yes, sir.
9 ask for -- for the lease that -- that Limestone executed.

10 **MR. OLDHAM:** Okay. Of the \$4,000,000, how
11 attributed to that 50 percent?

12 **THE DEPONENT:** I don't know off the top of my

13 **MR. OLDHAM:** What would you need to take a

14 **THE DEPONENT:** Sit down with two of my business
15 partners just to -- to run the math on that.

16 **MR. OLDHAM:** Okay. And --

17 **THE DEPONENT:** It's been a while since we --
18 did that math.

19 **MR. OLDHAM:** Okay. And \$4,000,000 is a general
20 number. I'm just --

21 **THE DEPONENT:** Yes, sir.

22 **MR. OLDHAM:** -- I'm trying -- I'm trying to say,
23 okay, is it third, third, third? Is it, here's 50 percent
24 this --

25 **THE DEPONENT:** No, sir. It's -- it's -- it's

1 it's -- it's different based upon, you know -- of course
2 have a 75 percent royalty on the two leases. So there
3 -- so there would be more inherent value on -- plus it's a
4 larger acreage span. So when you start trying to break
5 know, like -- like you had mentioned a third, third, third

6 **MR. OLDHAM:** Mm-hmm.

7 **THE DEPONENT:** -- it would be different
8 for each lease and for the 50 percent wind rights.

9 **MR. OLDHAM:** Okay. And you don't know for that
10 -- the 50 percent wind rights if there is a lease; right?

11 **THE DEPONENT:** I know there is a lease.

12 **MR. OLDHAM:** You do?

13 **THE DEPONENT:** Yes, sir. That's been confirmed
14 verbally by EDF.

15 **MR. OLDHAM:** Okay. And do you not have a copy

16 **THE DEPONENT:** No, sir, I do not.

17 **MR. OLDHAM:** Okay. When you put together the
18 \$4,000,000 number in the declaration, I presume you had
19 with EDF?

20 **THE DEPONENT:** Yes, sir.

21 **MR. OLDHAM:** How were you able to -- was it a
22 year-lease just like these, or was it a different term?

23 **THE DEPONENT:** It was, she said, the exact lease
24 we executed.

25 **MR. OLDHAM:** Okay. And "she" being who?

1 **THE DEPONENT:** Sela Maceda.

2 **MR. OLDHAM:** And she is at EDF?

3 **THE DEPONENT:** Yes, sir.

4 **MR. OLDHAM:** Okay. Do you know if they will
5 a copy of the lease if you asked for it?

6 **THE DEPONENT:** I can't answer that question.

7 **MR. OLDHAM:** Will you agree to ask for it?

8 **THE DEPONENT:** Yes, sir.

9 **BY MS. HUNT:**

10 **Q.** When you were referring to Limestone, do you
11 actual legal name of that company at all?

12 **A.** No.

13 **Q.** Okay. And I know you said this but I missed it.
14 50 percent royalty, approximately how many acres?

15 **A.** Approximately 1200 plus or minus.

16 **Q.** Okay.

17 **A.** And, again, that's my best guess off the top
18 head.

19 **Q.** Okay. In terms of the royalty payments, you
20 believe that they will start Q3 2020. Will they
21 set number of years, for the term of the lease, or do
22 how long they will continue for?

23 **A.** The way we had -- pardon me. The way the
24 have interpreted that is that it would -- it would
25 until the termination of the lease.

1 Q. Okay. I have turned to page 4 of your
2 Can you go there with me?

3 A. Yes, ma'am.

4 Q. In paragraph 8, you discuss water rights. The
5 sentence starts, "A third party hydrologist." Do you know
6 that was or what company they were affiliated with?

7 A. John Shoemaker and Associates also known as

8 Q. What -- do you know when John Shoemaker and
9 Associates assumed 40-plus years of water saturation?

10 A. I can't recall. I'd say, my best guess would be
11 2018.

12 Q. Were they hired by Remnant?

13 A. Yes.

14 Q. At the end of this paragraph, you give a
15 the water licenses of approximately \$3,000,000. Can you
16 me how you got to that number?

17 A. Yes, ma'am. There is two methodologies to that.
18 was looking at a -- on a per-acre foot basis appraisal
19 water rights go for within southeastern New Mexico.
20 Additionally, on the ability to sell fresh water on an
21 basis as opposed to selling the water rights outright.

22 Q. When you say "the ability to sell fresh water on
23 ongoing basis," is there a concern about a lack of
24 the fresh water?

25 A. In New Mexico, yes. Pardon me. There is not

1 of concern. Fresh water is in great demand because of the
2 and gas industry within southeastern New Mexico.

3 **Q. Okay. So it was just taking into account --**

4 **A. The two different --**

5 **Q. -- what profit you would make from the two**
6 **lands, I guess?**

7 **A. Yes, ma'am. It would be based upon the two**
8 **methodologies.**

9 **MR. OLDHAM:** How do those licenses work?

10 **THE DEPONENT:** They work in perpetuity as long
11 what they call beneficial water rights are produced.

12 **MR. OLDHAM:** Okay. So as long as you're using
13 water, do you continue to use it?

14 **THE DEPONENT:** Yes, sir.

15 **MR. BRINKMAN:** Are you continuing to use it?

16 **THE DEPONENT:** Currently, right now, we are not
17 utilizing it at all. But we have an -- we have an
18 with the OSE, which is the Office of State Engineers,
19 us -- giving us additional time, I believe, to 2022 to put
20 water to beneficial use.

21 **MR. OLDHAM:** Do you have the ability to put it
22 use?

23 **THE DEPONENT:** Yes, sir.

24 **MR. OLDHAM:** How?

25 **THE DEPONENT:** One is injecting it into the oil

1 formation at Caprock, the Rock Queen unit. Another is
2 it commercially.

3 **MR. OLDHAM:** I'm sorry, my question is much
4 than that. I'm just wondering how you get it out of the
5 ground.

6 **THE DEPONENT:** A buyer would need to lay a
7 to -- to our particular water field.

8 **MR. OLDHAM:** Okay.

9 **THE DEPONENT:** There is -- there are two
10 water -- freshwater lines that do come off the Caprock.
11 are located in close proximity to our water rights, the
12 debtors' water rights.

13 **MR. OLDHAM:** Okay. If you were running that
14 across other people's property, presumably you would
15 pay them for an easement, too; correct?

16 **THE DEPONENT:** That --

17 **MR. OLDHAM:** If you're using it outside of the
18 Caprock.

19 **THE DEPONENT:** Yes, sir. That is correct, you
20 have to negotiate surface use agreements.

21 **MR. OLDHAM:** Okay.

22 **THE DEPONENT:** The -- the vast majority of the
23 landowners are within this area.

24 **MR. OLDHAM:** The third-party engineers, the
25 of the evaluation, JSA and Associates -- I don't

1 his name is?

2 **THE DEPONENT:** The valuation was not derived
3 JSAI.

4 **MR. OLDHAM:** How did you get to that number?

5 **THE DEPONENT:** It was based upon two
6 One was on a per-acre foot basis what you could sell,
7 water rights, water we can sell to New Mexico as well as a
8 potential cash flow to sell to a third-party.

9 **MR. OLDHAM:** Okay. Did you take into account
10 if selling to a third party -- how did you -- how do you
11 the water that you sell to the third party?

12 **THE DEPONENT:** Determining the -- what the
13 market environment dictates in different areas within
14 southeastern New Mexico, and also -- and further
15 within our particular area.

16 **MR. OLDHAM:** Okay. So how did you do that?
17 the methodology?

18 **THE DEPONENT:** Was discussing with potential
19 what they would pay.

20 **MR. OLDHAM:** Did you have certain buyers in

21 **THE DEPONENT:** Yes, sir.

22 **MR. OLDHAM:** Who were they?

23 **THE DEPONENT:** Caprock Water and Select Energy
24 Services.

25 **MR. OLDHAM:** Okay.

1 **THE DEPONENT:** And Westall Operating.

2 **MR. OLDHAM:** Okay. How did they plan to get the
3 water?

4 **THE DEPONENT:** From the Caprock -- pardon me.
5 Caprock Water and Westall Operating, to my knowledge,
6 from the Caprock. Select Energy Services does not have
7 lines in the Caprock.

8 **MR. OLDHAM:** Okay. So if they currently get
9 the Caprock, why would they even come to you to buy it?

10 **THE DEPONENT:** For the necessity. Because
11 more water.

12 **MR. OLDHAM:** Okay. So they have their own
13 but if they're expanding then they would get it elsewhere.

14 **THE DEPONENT:** They need to grow their -- their
15 -- from my understanding, their business is growing, the
16 for water is growing; therefore, they need more water.

17 **MR. OLDHAM:** All right. But why can't they just
18 get it, so to speak?

19 **THE DEPONENT:** You cannot -- it's very difficult
20 - to expand your beneficial use.

21 **MR. OLDHAM:** I got you. So they would have to
22 elsewhere -- assuming they're not able to just get a
23 for additional barrels of water per day, they would have
24 elsewhere to purchase it; right?

25 **THE DEPONENT:** That is my understanding. But,

1 I'm not a water expert, so --

2 **MR. OLDHAM:** But you --

3 **THE DEPONENT:** -- to the best -- to the best
4 knowledge, that's correct.

5 **MR. OLDHAM:** Right. But you are the guy that
6 the declaration that said it was worth \$3,000,000.

7 **THE DEPONENT:** Yes, sir. You're correct.

8 **MR. OLDHAM:** And I'm just wondering, I'm just
9 to glean what your understanding is of how that water is
10 \$3,000,000 --

11 **THE DEPONENT:** Understood.

12 **MR. OLDHAM:** I just wonder what --

13 **THE DEPONENT:** Understood. So -- so, for
14 water can sell anywhere from a dollar to twenty-five cents
15 third party.

16 **MR. OLDHAM:** Right.

17 **THE DEPONENT:** Meaning -- meaning -- so we,
18 essentially, from that methodology derived a minimum value
19 what we could sell the water for to a third party.

20 **MR. OLDHAM:** I got you.

21 **THE DEPONENT:** Less operating costs.

22 **MR. OLDHAM:** So you took some, essentially an
23 estimate of like you would the amount; right? It's like
24 it's like barrels per day, this is how much we can use,
25 how much to transport it, etc.?

1 **THE DEPONENT:** Correct.

2 **MR. OLDHAM:** And it was or was not including the
3 of negotiating easements and rights of way to get the
4 somewhere else?

5 **THE DEPONENT:** That was inclusive.

6 **MR. OLDHAM:** Inclusive of the rights of way.

7 **THE DEPONENT:** So prior negotiations with one
8 included they would lay the line.

9 **MR. OLDHAM:** Another entity would?

10 **THE DEPONENT:** Correct.

11 **MR. OLDHAM:** What entity was that?

12 **THE DEPONENT:** Select Energy Services.

13 **MR. OLDHAM:** Okay. How much were you going to
14 for that?

15 **THE DEPONENT:** They -- there was a range. The
16 approximate cost, to my knowledge, was between \$700,000 to
17 \$800,000 to lay that line.

18 **MR. OLDHAM:** For how -- what distance?

19 **THE DEPONENT:** For 23 -- approximately 23 miles.

20 **MR. OLDHAM:** Okay. And that would take the
21 from wherever you get it with your license to what

22 **THE DEPONENT:** To where that Select Energy
23 has an existing infrastructure to move it to areas where
24 customers need it.

25 **MR. OLDHAM:** Okay. Would they have to cross

1 other surface rights, or surface right ownership? Did
2 that entire 23 miles?

3 **THE DEPONENT:** They would need to require
4 agreements.

5 **MR. OLDHAM:** Okay. So it was 800,000, 7,
6 plus whatever they had to pay to get an easement through
7 properties.

8 **THE DEPONENT:** I was just told that number
9 I don't know if that was inclusive of SUAs, Surface Use
10 Agreements or not.

11 **MR. OLDHAM:** Okay. What do you think that
12 would be? Do you have any idea?

13 **THE DEPONENT:** I don't know. I can't answer

14 **MR. OLDHAM:** I'm not trying to be confusing
15 I'm just wondering how can you not answer that question,
16 you can say that there is a certain number?

17 **THE DEPONENT:** So understanding if they lay
18 to us, basically, using a calculation, a methodology of
19 understanding what's the margin to do that. So we -- we
20 determined understanding what the royalty rate is to pay
21 State less a -- a percentage of op ex depending on what it
22 would cost to pump the water and what we could sell it

23 **MR. OLDHAM:** Okay. So the number could be a lot
24 higher for the water, or --

25 **THE DEPONENT:** It's the -- it's -- yeah, it's to

1 best of my -- exactly, yes, sir.

2 **MR. OLDHAM:** Okay. Have you all marketed the
3 rights to anyone?

4 **THE DEPONENT:** Other than those three parties
5 previously mentioned, no sir.

6 **MR. OLDHAM:** Okay. Why?

7 **THE DEPONENT:** We were -- we were needing the
8 for use to repressure the field at the Rock Queen unit.

9 **MR. OLDHAM:** You said "were." Up until when?

10 **THE DEPONENT:** We're not -- we don't -- I'm
11 can -- can you please rephrase that? I --

12 **MR. OLDHAM:** Sure.

13 **THE DEPONENT:** I'm sorry.

14 **MR. OLDHAM:** Have you made any attempts to
15 these two water licenses to a third party?

16 **THE DEPONENT:** Yes, sir, we have made attempts
17 three entities that were mentioned previously.

18 **MR. OLDHAM:** Okay. That was Select --

19 **THE DEPONENT:** Caprock Water and Westall

20 **MR. OLDHAM:** And Westall Operating. When was

21 **THE DEPONENT:** That was in --

22 **MR. OLDHAM:** Was it pre- or post-petition?

23 **THE DEPONENT:** Pre.

24 **MR. OLDHAM:** Okay.

25 **THE DEPONENT:** No. And we've also -- I have

1 spoken with Select post-petition.

2 **MR. OLDHAM:** Okay. Have they made any offers to
3 purchase those?

4 **THE DEPONENT:** They have not. No.

5 **MR. OLDHAM:** Has Seaport Global, to your
6 marketed the two water licenses?

7 **THE DEPONENT:** No, sir, they -- best -- to my
8 knowledge, no.

9 **MR. OLDHAM:** Why wouldn't those assets be listed
10 under Seaport's authority to market?

11 **THE DEPONENT:** I think the -- the ultimate buyer
12 the Caprock Assets, specifically the Rock Queen unit in
13 from a tentacle perspective on reservoir maintenance with
14 miscibility, that buyer has multiple options to maintain
15 reservoir pressure. One is to buy a new CO2 and use
16 water, or they could use the fresh water in lieu of CO2.

17 **MR. OLDHAM:** I got you. That -- that's a great
18 answer for a different question. My question was: Why
19 Seaport actively marketing the two water licenses for

20 **THE DEPONENT:** We did not want to -- well, the
21 is: I don't know.

22 **MR. OLDHAM:** Okay. To your knowledge, they're
23 marketing the Caprock Assets?

24 **THE DEPONENT:** The Caprock Assets which were the
25 pipeline, the working interest, and the water all in one

1 package.

2 **MR. OLDHAM:** Pipeline -- say it again.

3 **THE DEPONENT:** The pipeline --

4 **MR. OLDHAM:** Mm-hmm.

5 **THE DEPONENT:** -- the working interest, and
6 rights.

7 **MR. OLDHAM:** I'm sorry, did you say marketing
8 water licenses?

9 **THE DEPONENT:** Well, it -- it was -- it was
10 as one -- one -- one asset.

11 **MR. OLDHAM:** So Seaport Global is actually
12 the two water licenses?

13 **THE DEPONENT:** It was part of their -- not as
14 separate water, meaning "let's go out and find the water
15 buyers." They were marketing it as part of a package to
16 reactivate the Rock Queen unit.

17 **MR. OLDHAM:** Okay. So they are actively
18 the two water licenses, the pipeline which is different
19 the pipeline to be built for the water theoretically.

20 **THE DEPONENT:** Correct.

21 **MR. OLDHAM:** Okay. And the working interest
22 Caprock Assets; correct?

23 **THE DEPONENT:** Correct.

24 **MR. OLDHAM:** Anything else?

25 **THE DEPONENT:** No, sir.

1 **MR. OLDHAM:** What other assets does Remnant

2 **THE DEPONENT:** Remnant assets has what we call
3 basically Caprock Assets and our non-Caprock Assets. So
4 Caprock Assets consist of the -- what we consider the wind
5 rights, the pipeline, the water rights, and our working
6 interest.

7 **MR. OLDHAM:** Okay. So Seaport Global is -- was
8 marketing the pipeline, the working interest on the
9 Assets, and the two water licenses; correct?

10 **THE DEPONENT:** Correct.

11 **MR. OLDHAM:** What is the -- sorry, go ahead.

12 **MS. SIMMONS:** Just to clarify. So just to be
13 since this is the Committee's Rule 2004 Notice, and you
14 objected to Kodiak appearing and asking questions, and
15 it can continue. What I don't want to see happen is the
16 Committee doesn't get a chance to ask all their
17 we have to come back, or -- you know, it's cross-
18 -- we just need to be clear about who -- who is taking
19 deposition.

20 **MR. OLDHAM:** Fair enough. We have cross-noticed
21 deposition. We've also appeared here by agreement. If we
22 into an issue of timing, we can certainly -- we will
23 the court about whether we need more time and the
24 that.

25 I will stipulate to some amount of time. I

1 it's -- it's not a question. It is exactly what we're
2 do is to understand what's going on.

3 **MS. SIMMONS:** And -- and that's why I will
4 to allow it. I -- I just want to be clear that we're
5 reserve all rights if the Committee wants to come back and
6 additional questions because there is this kind of cross-
7 noticing and irregular, multiple attorneys asking
8 at one time without note -- it fully being their witness.

9 We're trying to be transparent and helpful and
10 provide the information that you guys are seeking. But it
11 irregular and I just want the record to reflect that. And
12 the, the debtors are going to reserve their rights on that
13 --

14 **MR. OLDHAM:** Fair enough. Sure.

15 **MR. HAMM:** And this is Blake Hamm for Baker
16 I'd like to reserve some time at the end to ask questions,
17 that's agreeable.

18 **MS. SIMMONS:** No objection to that because, like
19 said, we're trying to be here and be transparent and
20 But, you know, our time here is limited today, so, you
21 just want that to be clear.

22 **MR. OLDHAM:** Okay. I will stop in time for
23 questions. I just want to clarify though that Seaport
24 is currently marketing three assets of the debtors;

25 **THE DEPONENT:** That's correct.

1 **MR. OLDHAM:** There are assets other than those
2 that the debtor owns; correct?

3 **THE DEPONENT:** Correct.

4 **MR. OLDHAM:** What are they?

5 **THE DEPONENT:** Outside the Caprock Assets, which
6 described previously, we have what we call our five
7 areas. That's the North Square Lake unit, the South Great
8 II unit, Hackberry --

9 **MR. OLDHAM:** Mm-hmm.

10 **THE DEPONENT:** -- Turkey Track, Lusk Seven
11 Then we have our --

12 **MR. OLDHAM:** What is -- what is the water plane?

13 **THE DEPONENT:** Water plane area is secondary
14 recovery.

15 **MR. OLDHAM:** Okay. Sorry, keep going.

16 **THE DEPONENT:** Yes, sir.

17 **MR. OLDHAM:** Five -- five waterflood areas.

18 **THE DEPONENT:** With -- and then we do have
19 off wells that are outside those particular waterflood
20 The additional assets would be also 17,000 acres of
21 approximately dry gas in the Pecos slope area and then
22 approximately 45 individual kind of one-off wells
23 amongst Eddy, Lea, and Chaves counties in New Mexico.
24 have --

25 **MR. OLDHAM:** Approximately how many

1 one-offs?

2 **THE DEPONENT:** Approximately 45.

3 **MR. OLDHAM:** Okay.

4 **THE DEPONENT:** And the debtors also own a small
5 overriding royalty interest in a lease in West Texas. I
6 know the exact overriding royalty amount.

7 **MR. OLDHAM:** So as we sit here, debtors I
8 gave me seven, I'll call it buckets of assets: The
9 the working interest in Caprock, and the two water
10 which is what is currently being marketed by Seaport
11 and then the five waterflood areas, the dry gas
12 17,000 acres, the 45 one-off wells and a small overriding
13 royalty interest in West Texas. Are there any other

14 **THE DEPONENT:** Did you include the wind rights
15 that?

16 **MR. OLDHAM:** No, I didn't. The wind rights
17 and --

18 **MR. HAMM:** Seaport is not marketing wind rights;
19 correct?

20 **THE DEPONENT:** Yes, sir. Correct.

21 **MR. OLDHAM:** And the non-Caprock Assets, what is
22 that? Or the -- does that include the 45 one-off wells?

23 **THE DEPONENT:** Yes, sir.

24 **MR. OLDHAM:** Okay. So we have the three that
25 Global is marketing and we have five waterflood areas, the

1 gas for 17,000 acres, the 45 one-off wells, the small
2 overriding royalty interest in West Texas, and the wind

3 **THE DEPONENT:** That is correct.

4 **MR. OLDHAM:** Are there any other assets?

5 **THE DEPONENT:** No, sir.

6 **MR. OLDHAM:** Okay. Thank you.

7 Sorry, Kelsi. Go ahead.

8 **BY MS. HUNT:**

9 **Q. When did you come up with this \$3,000,000**
10 **for the water licenses?**

11 A. When we were assigned the -- we signed the
12 from -- with EDF.

13 **Q. Okay. So that was around December 2018, January**
14 **2019; somewhere around there?**

15 A. Somewhere around there, yes, ma'am. I'm sorry.
16 Pardon me. I'm clarifying. Did you say wind rights or
17 rights?

18 **Q. I did say water, but --**

19 A. Okay. My apologies.

20 **Q. -- I was going to go back to wind. So --**

21 A. Well, let me -- let me answer the water rights.
22 water rights were calculated, I would say, in late 2017.

23 **Q. Why was it done at that time?**

24 A. Well, it was part of the understanding how the
25 of the Caprock -- the overall value for the property.

1 **Q. Were you trying to sell the property at that**

2 **A. We were -- we were open to anything of a**
3 **alternative process.**

4 **Q. So it was late 2017 when you contacted Caprock**
5 **Select, and Westall about what they would pay in order**
6 **your idea for the value?**

7 **A. It was around that approximate time. Yes,**

8 **Q. Okay.**

9 **A. To the best of my knowledge.**

10 **Q. Okay. Do you have any valuations or**
11 **the water rights done by anyone other than Remnant?**

12 **A. No, ma'am, we do not.**

13 **Q. Do you have any valuations or appraisals of**
14 **rights done by anyone other than Remnant?**

15 **A. No, ma'am, we do not.**

16 **Q. In paragraph 9 of your declaration, I'm still on**
17 **4, you discuss "senior secured debt" and you list number**
18 **Michael Ramsey. Is that debt paid off?**

19 **A. No, ma'am, it still exists.**

20 **Q. Do you know approximately how much is owed?**

21 **A. \$250,000.**

22 **Q. Is that the principal amount of that debt?**

23 **A. That's all-inclusive.**

24 **Q. Is there interest accruing?**

25 **A. I can't recall.**

1 **Q. Has anyone guaranteed that debt?**

2 A. No, no, ma'am.

3 **Q. Is that debt owed by both debtors or one?**

4 A. Remnant Oil Company.

5 **Q. It's a company debt. So no other person or**
6 **liable on that.**

7 A. Pardon me. It is a -- it's a senior secured
8 on the South Red Lake II unit.

9 **Q. Okay. Is that -- that's a non-Caprock Asset?**

10 A. Yes, ma'am.

11 **MR. BRINKMAN:** You said it's senior. Is there
12 another interest under lien on that same piece of

13 **THE DEPONENT:** I think there are some M and Ms.

14 **MR. BRINKMAN:** Did you say --

15 **THE DEPONENT:** M and M. Mary and Mary. M and

16 **BY MS. HUNT:**

17 **Q. What assets does First Capital Bank of Texas**
18 **lien on?**

19 A. I can provide that schedule. I don't have it
20 of my head.

21 **Q. Okay. Would that be the same answer for 3-2-1**
22 **Partners?**

23 A. 3-2-1, specifically, has it on the North
24 unit.

25 **Q. And just to clarify, in this paragraph 9 it says**

1 **2-1 Ventures." Is -- is that 3-2-1 Partners?**

2 A. Yes, ma'am.

3 **Q. A little over in the paragraph, you discuss non-**
4 **recurring costs, a "one-time general and administrative**
5 **of approximately \$1,146,779." Can you just give me an**
6 **of what those costs included?**

7 A. Yes, ma'am. So that was legal fees to help
8 the water licenses. That was also engineering and geology
9 all of our -- on all of our assets except the gas
10 also the setting up of accounting systems, and certain
11 consultants.

12 **Q. When you say "engineering and geology," what**
13 **was done in the startup phase with engineering and**

14 A. So that's a very -- could you please be more
15 with that question?

16 **Q. Yes. Okay. When Remnant was first starting,**
17 **and was seeking out engineering services, what**
18 **were those for? Was Remnant evaluating potential well**
19 **purchases at that time or something else?**

20 A. Yes, ma'am, we were -- we were evaluating
21 acquisitions.

22 **Q. Would all of the engineering and geology**
23 **have been geared towards acquisition?**

24 A. Not all of them, no.

25 **Q. What else would an engineer would have done**

1 **Remnant being fully operational?**

2 A. Well, there's pre and there's post. So the
3 would be for valuation purposes, understanding what the
4 is relative to what the -- the cost is.

5 **Q. Okay. Do you know how much of this**
6 **1.15 million was engineering cost?**

7 A. I do not know off the top of my head. No.

8 **Q. Okay. Would a geologist have the same sort of**
9 **in terms of trying to value wells?**

10 A. Yes, ma'am.

11 **Q. How long after Remnant formed did it acquire**
12 **interests in oil and gas wells?**

13 A. Remnant had existing wells on -- on day 1.

14 **Q. How did they get those?**

15 A. I contribute -- the three partners contributed
16 wells.

17 **Q. Okay. Do you know approximately how many**
18 **contributed?**

19 A. Approximately 40.

20 **Q. Has Remnant agreed to pay anything for those**
21 **contributions?**

22 A. The partners -- pardon me. No.

23 **Q. Did the partners get equity for those**

24 A. Yes.

25 **Q. You then discuss non-recurring costs in 2017 and**

1 **totaling approximately \$4,275,000. What were those**

2 A. Those costs are associated with primarily the
3 Assets meaning the working interest within the Caprock,
4 also the North Square Lake unit.

5 **Q. So the North Square Lake unit is not a Caprock**

6 A. That's correct.

7 **Q. Okay.**

8 A. It's one of the five waterflood zones.

9 **Q. You state the "non-recurring costs were**
10 **Were they anticipated to be that high?**

11 A. They were not anticipated to be that high. No.

12 **Q. What were you anticipating those costs to be?**

13 A. I can't recall at this time.

14 **Q. You state Remnant's members provided the company**
15 **funds in excess of \$8,000,000. Is there anyone included**
16 **that that's not you, Mr. Stitzel, or**
17 **Mr. Gilmore?**

18 A. No, ma'am.

19 **Q. Okay. In paragraph 10 you say, "Remnant**
20 **Caprock properties from Legacy Reserves LP in May 2017."**
21 **Earlier, I thought I heard you say April 2017.**

22 A. It was acquired in May with an effective date of
23 April 1.

24 **Q. Okay. So what was the process whereby Remnant**
25 **to purchase the Caprock Properties?**

1 A. I don't understand. I'm sorry, I don't
2 the question.

3 Q. Okay. Right now Seaport is marketing the
4 properties. Was there a company marketing them at that
5 that contacted you to see if you were a potential buyer?

6 A. Legacy Reserves contacted us directly.

7 Q. Okay. Did you have any prior relationship with
8 Legacy?

9 A. Yes, we did.

10 Q. What was that relationship?

11 A. We had previously acquired wells from them

12 Q. Were those some of the non-Caprock properties?

13 A. These were wells that were -- that were both
14 in Texas and New Mexico.

15 Q. Do you know if Legacy Reserves had a marketing
16 company for the Caprock properties?

17 A. For what period?

18 Q. Prior to Remnant buying them in April-May 2017.

19 A. They had one in 2015.

20 Q. Okay. I guess they were unable to sell in

21 A. Correct.

22 Q. -- to the best of your knowledge. We talked a
23 bit about the Rock Queen unit or the -- you had stated
24 were pressure issues due to some sort of water dispute.
25 sorry that I don't know the right words to use on this.

1 **basically it wasn't producing, or what was the issue**

2 A. So I -- understand, not in the oil business. So
3 so, essentially what happened was when we first looked at
4 acquiring the property, we understood that it was not
5 at the time because of they were taking what they call
6 CO2."

7 That contract was terminated upon us buying the
8 property. So therefore we were not saddled with that
9 was our intent to recycle the 18 BCF that has been
10 into the Rock Queen unit in addition to the 16,000 barrels
11 fresh water a day to maintain reservoir pressure, to
12 miscibility.

13 Q. Okay. And you state in paragraph 10 that "the
14 Mexico State Land Office restricted the use of fresh water
15 oil and gas purposes"?

16 A. That's correct.

17 Q. Okay.

18 MR. OLDHAM: How did they restrict the use of
19 for oil and gas purposes?

20 THE DEPONENT: The State Land Commissioner
21 Dunn issued a decree stating you could not use fresh water
22 oil and gas purposes.

23 MR. OLDHAM: Okay. And when did that change?

24 THE DEPONENT: It hasn't changed. We were
25 obtain a waiver.

1 **MR. OLDHAM:** I got you. So it's a land rush.
2 of two months after that date, he issues a cease and
3 moratorium letter.

4 **THE DEPONENT:** Yes, sir.

5 **MR. OLDHAM:** And then you had to -- all the
6 had to -- or whoever is going to use the fresh water had
7 then apply for some license or permit.

8 **THE DEPONENT:** Correct. Yes, sir.

9 **MR. OLDHAM:** Okay. So you didn't buy the water
10 licenses from Legacy. You got them from New Mexico?

11 **THE DEPONENT:** No, sir. It was part of the

12 **MR. OLDHAM:** Okay.

13 **THE DEPONENT:** We bought them with Legacy. The
14 policy did not go in effect until after we bought it from
15 Legacy, which no one knew about.

16 **BY MS. HUNT:**

17 **Q. When did you obtain the waiver?**

18 **A.** Let me clarify what -- what that -- how we did
19 I don't know the exact date. There were two rights of
20 So how they restricted the debtors from using the water,
21 would not renew the rights of ways. So therefore we
22 use our water.

23 We were able to negotiate with the State Land
24 with Commissioner Dunn, that it was in the best interest
25 State of New Mexico to let us use our water. Thus --

1 -- he issued us brand-new rights of ways to make it much
2 cleaner for -- for the -- for the debtors.

3 **Q. Do you know approximately how long it was after?**

4 A. I want to say we -- it was in -- I want to say
5 December of '18 is when we were able to -- sometime around
6 there I believe, to the best of my knowledge.

7 **Q. So from approximately July 2017 to December**
8 **were not able to use fresh water?**

9 A. That's correct. We were actually -- let me --
10 rescind that. Legacy was not using any of the water. So,
11 therefore, we had to do work on the water wells. So we
12 able to even take fresh water in the allowable amounts.
13 once we did work over the wells, the land policy kicked

14 **Q. So from the time you bought the Caprock**
15 **you were not able to use the fresh water until you got the**
16 **rights of ways.**

17 A. Full -- correct, yeah.

18 **Q. Okay.**

19 **MR. OLDHAM:** Is that -- is that a new license?

20 **THE DEPONENT:** The -- the licenses exist.
21 L3667, L2661. They -- they still exist. It's just the
22 of ways that -- that had been renewed and been restated.

23 **MR. OLDHAM:** Okay. And the two licenses that
24 part of that, those were purchased from Legacy?

25 **THE DEPONENT:** Correct. That was part of the

1 purchase. Yes, sir.

2 **MR. OLDHAM:** What else was purchased from

3 **THE DEPONENT:** Part of the -- all of the Caprock
4 assets.

5 **MR. OLDHAM:** So the pipeline, the working
6 and the two water licenses?

7 **THE DEPONENT:** Yes. And -- and there was also
8 surface -- a surface, like a ranch, a small ranch.

9 **MR. OLDHAM:** So an actual surface estate?

10 **THE DEPONENT:** Yes, sir.

11 **MR. OLDHAM:** How many acres?

12 **THE DEPONENT:** Oh, man. Off the top of my head,
13 I don't know. It would be approximately close to what was
14 the two leases that were further described earlier in
15 to -- well, no, that was -- that didn't have the surface.
16 was around 3800 acres, I believe.

17 **MR. OLDHAM:** Okay. The debtors still have those
18 acres?

19 **THE DEPONENT:** We -- we sold the surface to --
20 To Troy -- to Mr. Troy Kirby.

21 **MR. OLDHAM:** To TK Ranch?

22 **THE DEPONENT:** Yes, sir.

23 **MR. OLDHAM:** So he's going to be the surface
24 the wind rights.

25 **THE DEPONENT:** That's correct. And -- and a 25

1 percent royalty owner.

2 **MR. OLDHAM:** Okay. I think you said 50

3 -

4 **THE DEPONENT:** Yes, sir.

5 **MR. OLDHAM:** How much did you sell that to TK
6 for?

7 **THE DEPONENT:** I believe for half a million

8 **MR. OLDHAM:** When was that?

9 **THE DEPONENT:** I don't have the exact date.

10 **MR. OLDHAM:** Okay.

11 **THE DEPONENT:** I want to say '18. Sometime in

12 **MR. OLDHAM:** Okay.

13 **MS. SIMMONS:** Whenever you have a minute, when
14 at a good stopping point, let's take a quick break.

15 **MS. HUNT:** Yeah. Now is good.

16 **THE REPORTER:** We are off the record.

17 **(WHEREUPON, a luncheon recess was taken.)**

18 **THE REPORTER:** We're on the record.

19 **BY MS. HUNT:**

20 **Q.** Okay. I'd like to talk a little bit about the
21 marketing efforts for Remnant's assets. When we were
22 earlier, you mentioned that Seaport is marketing the
23 assets. How did you come to choose Seaport?

24 **A.** That's a -- that's a good question. You know,
25 been in the business for -- for a while, you know, I

1 know, the debtors know as well as my partners, you know,
2 various marketing agencies and there's a number of
3 for instance, again, PLS, and I don't know who they are --
4 again, AEG, I think is what Mr. Hamm said earlier.

5 But PLS, they were actually our first choice and
6 went to them and they declined our engagement because of
7 time -- the -- the time -- the timeline. Then there's
8 Net. And Energy Net would be a good one for our non-
9 because we're not as technical.

10 And with Seaport, I mean, there's probably a
11 dozen of, I would say, boutique investment banking firms
12 handle, you know, market type of asset marketing. And
13 known Michael Bodino, you know, for a number of years.
14 if you're in the oil and gas business, you know all the
15 investment bankers.

16 But to be -- but to get to the point, they
17 Elk -- in the Elk Petroleum case marketing the assets,
18 specifically the CO2 asset. So the -- the Caprock
19 CO2 asset. And -- and so just for an acronym, it's
20 -- called an EOR property, Enhanced Oil Recovery, which is
21 niche of the upstream market.

22 So not everyone, just because you have an oil
23 is going to be a potential buyer. I mean, there's
24 whether it's a what they call, you know, a secondary, a
25 waterflood, or an EOR, or polymer flood.

1 So what Seaport was doing was marketing their
2 with -- with Elk Petroleum. Now, granted, again,
3 state, different -- different type of asset, but they were
4 contacting EOR buyers within that universe.

5 And I had contacted -- so after, we're just
6 call them PLS. Again, I don't know the -- I'll get the
7 here later.

8 **Q. Okay.**

9 A. But after they declined our engagement, you
10 did know they were marketing. So I called up Bedino. I
11 listen, you know, how -- can you give me some just general
12 guidance on the number of people that have -- that have,
13 know, been looking at the deal.

14 **Q. Okay. Just to clarify, Bodino is with --**

15 A. Michael Bodino is I believe one of the marketing
16 he's -- he's with the Seaport Global.

17 **Q. He's with Seaport.**

18 A. Yes, ma'am.

19 **Q. Okay.**

20 A. One of the investment bankers.

21 **Q. Okay.**

22 A. And you know, his comment was that that they
23 were having a lot of interest from a lot of different
24 meaning not the typical -- your typical EOR buyers.
25 coming from some different universes, maybe some family

1 offices, maybe some institutional investors, private
2 companies, things of that nature.

3 So just wasn't -- it wouldn't be the group who
4 groups I would know that I would just call up, you know,
5 Company A, B, C, D, and E. Because to be -- to be honest,
6 -- our property is unique in the sense where it's
7 non-cash flow asset as it stands today. It is in New
8 and some people view that as a negative because of the --
9 because of the regulatory which it is what it is. I mean,
10 every state has their own -- their own issues.

11 But in talking with Seaport, you know, Utah is
12 different where in a sense where -- this is on tribal
13 So tribal lands are also very -- from a regulatory
14 very different to operate and with a -- as well. So the
15 commonalities that I saw were: One, you had, most
16 they were -- they were -- they were focusing on the EOR
17 universe, those specific buyer groups.

18 And those specific buyer groups did understand
19 regulatory environment that they would be bidding on. And
20 based upon that information and, you know, the other
21 that I knew of, Energy Net, you know --

22 **MR. OLDHAM:** Object as nonresponsive.

23 **BY MS. HUNT:**

24 **Q.** You can continue.

25 **A.** Okay.

1 **MR. OLDHAM:** You can answer.

2 **THE DEPONENT:** Okay. Oh, yeah. So yes, so then
3 there's Energy Net. But again, at the end of the day it
4 really because they had I guess just come fresh off the --
5 -- the Elk process.

6 **BY MS. HUNT:**

7 **Q. Okay.**

8 A. And I didn't know -- I didn't know the results.
9 basically -- Seaport, basically said that, you know,
10 getting bids from, you know, really cruddy to, you know,
11 decent bids.

12 **Q. Okay. When you mentioned Utah, that's the Elk**
13 **Petroleum?**

14 **MR. OLDHAM:** Objection. Non-responsive.

15 **BY MS. HUNT:**

16 **Q. Is Utah -- were you referencing the Elk**

17 A. Yes, ma'am.

18 **Q. Okay. So Remnant doesn't have anything in Utah;**
19 **right?**

20 A. Oh, no, ma'am.

21 **Q. Okay.**

22 A. No. Oh, no, ma'am. No, no, no. It -- it was
23 that was the property that they were marketing for Elk
24 Petroleum.

25 **Q. Okay. So Remnant reached out to PLS or whatever**

1 **called now, Energy Net, and Seaport Global. Did they**
2 **-- did Remnant reach out to any other firm?**

3 A. No. Due to the timing, those were the -- the
4 three that we put -- we put in. And, again, PLS was --

5 **COUNSEL:** It's a --

6 **THE DEPONENT:** -- the energy advisor. PLS was
7 was, again, the first choice. Seaport was our second.
8 again, based on the -- their marketing, that's -- that's
9 went with. So -- but basically that's what we -- the
10 felt that would be the most logical -- the most -- the
11 logical choice.

12 **BY MS. HUNT:**

13 **Q. Okay. How did you come up with that list of**

14 A. Just being in the industry.

15 **Q. Did you consider reaching out to TenOaks?**

16 A. Yes. I -- I -- I've discussed with TenOaks in
17 past, actually.

18 **Q. Okay.**

19 A. I've spoken with TenOaks and I asked them, pre-
20 petition, would they, you know, understanding, you know,
21 they marketed the assets in 2015, you know, what were
22 offers. You know, could they -- could they reveal what
23 offers were, and they said no. But, basically, they said,
24 know, we're not going to take a non-cash flowing
25 market. That was -- and that was back, you know, pre-

1 **Q. Okay. So pre-petition, do you think that was**
2 **in 2019?**

3 A. I would say late '18, '19, just trying to get
4 feedback from -- from TenOaks. You know, obviously they
5 know, they ran a pretty -- a pretty long, you know, a
6 long process for -- for that asset.

7 **Q. So that -- that's why I'm asking about them**
8 **obviously.**

9 A. Yes, ma'am.

10 **Q. Post-petition, the reason you didn't reach out**

11 A. Just from -- from their previous response:
12 not going to mess with a non-cash flowing property.

13 **Q. Okay. So in terms of pre-petition marketing,**
14 **there any other firms you reached out to to market the**

15 A. Yes. So ROTH -- ROTH Capital was helping us
16 what we call our strategic alternative process, and what
17 encompasses it's an umbrella that really encompasses a
18 multitude of different things whether it's a capital
19 investment, private equity sponsorship, mezzanine debt,
20 venture, DrillCos. I mean, really anything and everything
21 makes sense to increase the value of the property.

22 We had, you know, they introduced us to a number
23 different parties, and, but at the end of the day, the
24 -- the Caprock asset with a negative cash flow was kind of
25 you know, the -- the elephant in the room.

1 **Q. Okay. Did you reach out to any entities or**
2 **directly?**

3 A. I did, yes. So I, I personally reached out to
4 -- to companies. Yes, I did.

5 **Q. Do you know approximately how many?**

6 A. I don't -- I can't recall specifically, but I do
7 a couple, I mean, some names I remember obviously.

8 **Q. Okay.**

9 A. So Trinity -- Trinity Upstream; Sabinal,
10 S-a-b-i-n-a-l, Energy; Tabula Rasa. That's going to be
11 It's -- it's an interesting spelling. I also, I've
12 to Oxy, Occidental; Tengasco; Evolution Petroleum; Field
13 Petroleum; Elk Petroleum; and there may be some others,
14 the top of my head, I can't. Those -- those are the
15 I -- that I can recall.

16 **Q. Okay. When you reached out to these**
17 **were you marketing to them?**

18 **MS. SIMMONS:** Objection.

19 **THE DEPONENT:** Sorry.

20 **MS. SIMMONS:** It -- it's vague. It's a group of
21 companies.

22 **BY MS. HUNT:**

23 **Q. Okay. Were you trying to sell different**
24 **these various -- or different portions of Remnant's assets**
25 **these various entities?**

1 A. Just the Caprock assets which -- which, again,
2 defined by the pipeline, the working interest, and the
3 rights.

4 **Q. Did any of these entities that you reached out**
5 **express any interest?**

6 A. Yes. We went through -- we went through a
7 you know, obviously, the -- you know, due diligence as
8 And then we also -- we also did meet with Baker Hughes
9 in regards to potential financing, but that was unable
10 to fruition.

11 **Q. Okay.**

12 A. But that wasn't to sell the property. That
13 to help us recapitalize.

14 **Q. Okay. With Baker Hughes.**

15 A. Correct. Via -- via Baker -- Baker Capital
16 Solutions.

17 **Q. Okay. Can you tell me who ASEC is?**

18 A. Oh, ASEN?

19 **Q. Sure. I probably have the acronym wrong.**

20 A. American Standard Energy. Yes, that is another
21 group.

22 **Q. All right.**

23 A. And they're out of Midland, Texas.

24 **Q. Okay. And did you talk to them about selling**
25 **Assets, or all assets, or --**

1 A. We've talked about a multitude of different
2 strategies whether it's a merger, whether it's they buy
3 company outright, or just simply Caprock.

4 Q. Okay. Why did a merger never occur between
5 and ASEN?

6 A. The negative cash flow. The burn rate was just
7 -- they felt was just too great a risk.

8 Q. So they decided they didn't want to do it
9 or they were offering you a package that you deemed
10 unacceptable?

11 A. They -- they declined it outright.

12 Q. Okay. And is that the same reason that they
13 purchase Remnant outright?

14 A. Yes, ma'am. Correct.

15 Q. Okay. Was there some sort of due diligence
16 that ASEN went through?

17 A. Yes.

18 Q. And that resulted in them just totally walking

19 A. Correct.

20 Q. Okay. Did you ever contact any entities to buy
21 Remnant's wind rights?

22 A. Other than asking EDF if they would, no.

23 Q. When did you ask EDF if they would buy the wind
24 rights?

25 A. I would say shortly after we signed our lease

1 them. Not the amended, but the original two leases.

2 **Q. Okay. So December 2018, January 2019?**

3 A. Yes, ma'am.

4 **Q. When did Remnant first acquire the wind rights?**

5 A. Effective April 1 of 2017.

6 **Q. Okay. So that was part of the purchase from**

7 A. Correct.

8 **MR. OLDHAM:** Wind or water? Wind?

9 **THE DEPONENT:** Yes.

10 **MR. OLDHAM:** Are you talking about the two
11 with EDF, or are you talking about the 50 percent?

12 **THE DEPONENT:** I took her question to -- to --
13 entertain all wind rights.

14 **BY MS. HUNT:**

15 **Q. Were there different acquisition bids for**
16 **wind rates?**

17 A. No, ma'am.

18 **Q. Okay. So they were all the same. Did you**
19 **out to any companies to ask whether they were interested**
20 **buying the five waterflood zones of non-Caprock assets**
21 **Remnant has?**

22 A. Yes, ma'am, we have.

23 **Q. Who did you reach out to about those?**

24 A. Bayou City. It's a private equity company.

25 -- they're not a portfolio company, they're actually a PE

1 company in Houston; Avalon Resources; an individual
2 Prasad, P-r-a-s-a-d; Boaz Energy, B-o-a-z Energy,
3 of Midland; Percussion Petroleum. That's all I can
4 this time.

5 **Q. Okay. How -- how did you --**

6 A. Oh, Rover -- I forgot to mention Rover

7 **Q. Rover?**

8 A. Rover, R-o-v-e-r.

9 **Q. Okay. How did you offer those properties?**
10 **offer them as like a package deal?**

11 A. We were -- it was kind of whatever would make
12 to the group. And I think back then, you know, Rover
13 it and didn't -- you know, we tried to do the whole
14 but obviously they're not EOR, individual, so that kind of
15 that's why they -- they didn't like it. So I said, well,
16 great, we can -- let's -- let's break out the other
17 And then they got caught up buying a much larger
18 in Texas. So we kind of fell to the -- to the back burner
19 -- I tried to reach out -- continued to contact and
20 came to fruition.

21 **Q. Okay. Approximately when was this that you were**
22 **reaching out?**

23 A. Sometime in 2018.

24 **Q. Did any company other than Rover express any**
25 **interest?**

1 A. Avalon.

2 Q. Okay. And what happened with Avalon that they
3 end up --

4 A. They ended up buying the SandRidge Permian Trust
5 assets. So, again, a much larger deal that we fell to the
6 wayside.

7 Q. Have you ever contacted or hired a marketing
8 about marketing the non-Caprock assets?

9 A. We talked about briefly with -- actually, yes,
10 PLS.

11 Q. Was this pre-petition?

12 A. Yes, ma'am, pre-petition, and they took it to
13 and I cannot recall their name. But they, again, were
14 at -- for larger deals, more production.

15 Q. Okay. So in terms of post-petition, have you
16 out to anyone to try to sell the non-Caprock assets?

17 A. Yes. I've reached out to Raj Prasad again.

18 Q. Did you get any sort of response?

19 A. He's -- he's -- we're working with him right now
20 it. And also Avalon, but it's not Avalon itself. It's
21 the principals who has got -- who -- who was, I guess,
22 of Avalon, has interest. And so he is currently -- he had
23 signed a CA with Seaport, and he is in -- in our -- he's
24 data room currently going through North Square Lake.

25 Q. Okay.

1 A. I did also reach out to another entity that had
2 purchased an asset from us before, Greg Chase, C-h-a-s-e.

3 Q. Okay. Did you get a response from -- from Greg
4 Chase?

5 A. Yeah, he offered us \$200,000 for the Lusk Seven
6 Rivers unit.

7 Q. Was this post-petition?

8 A. Yes, ma'am. Just for -- it was just a verbal.

9 Q. Okay. What -- what was the name of the unit?

10 A. Lusk Seven Rivers unit.

11 Q. So what came of that offer?

12 A. He said he had to get bank approval and I have
13 heard from him since.

14 Q. How long ago was that?

15 A. Three weeks ago.

16 Q. Okay. Have you followed up?

17 A. Yeah. Yes, ma'am.

18 Q. And is he just nonresponsive?

19 A. Yes, ma'am, nonresponsive.

20 Q. Other than Raj Prasad, and the principal of
21 do you know the name of the principal at Avalon? Sorry.

22 A. His name is Monty Montgomery. He's out of
23 Texas.

24 Q. Okay. Other than Raj Prasad, Monty
25 Greg Chase, have you reached out to anyone about the non-

1 **Caprock properties post-petition?**

2 A. Yes. One other individual was Rory McMinn.

3 **Q. Did you hear back from Rory?**

4 A. He's -- he's evaluating one small property,
5 CF, C as in Charlie, F as in Frank. He's still doing
6 diligence.

7 **Q. Is State CF, is that a unit? Is that, like, one**
8 **well?**

9 A. It's one of those -- kind of those other non-
10 waterflood, what we call kind of those other, kind of
11 wells.

12 **Q. Okay. So you've mentioned a couple of times now**
13 **the Caprock assets are not producing cash flow. Is that**
14 **because of the New Mexico water restriction on use of**
15 **water, or is there some other reason?**

16 A. It's simply based on production versus expense
17 profile.

18 **Q. Okay. Is there a plan in place to fix the**
19 **cash flow?**

20 A. There is, and it requires capital.

21 **Q. Okay.**

22 A. Without capital, the plan won't work.

23 **Q. What is the plan if you can just briefly**
24 **Do they need to clean up wells? Do they need to install**
25 **equipment?**

1 A. It would -- it's a -- it's a multitude of
2 things primarily consisting of injecting the 16,000
3 water a day for a period of no less than nine months and
4 wellbore clean outs.

5 **Q. Has the injection of fresh water begun again?**

6 A. We're -- we are injecting fresh water but not to
7 full max because we still have a couple of the water wells
8 -- we don't have the cash to work them over.

9 **Q. Okay.**

10 A. So I would say we're injecting approximately
11 again, this is all -- around 6,000 barrels a day.

12 **Q. So that 6,000 barrels a day, that number can't**
13 **increased until --**

14 A. We work over the water wells.

15 **Q. Okay. Is this plan being presented to potential**
16 **buyers or this --**

17 A. Oh, they -- they knew about it, yes.

18 **Q. Okay. So part of the reserve analysis of what**
19 **Seaport, you know, when we were marketing the assets, that**
20 **obviously the sales pitch. How do you -- how do you**
21 **this to -- to get it to -- to work where it's producing**
22 **its original production curve. Because it's been there**

23 So, typically, it's classified as what they call
24 "PDNP," Proved Developed Non-producing. So therefore it's
25 considered PODS, meaning Proved and Developed. It has

1 before. It's just how do you get it back there? What
2 has to be spent and what's your rate of return to get

3 Q. Okay. So has -- since you have begun re-
4 the, what you said was approximately 6,000 barrels a
5 that had any effect on production?

6 A. It has not because the way the Rock Queen unit
7 up, you have to have the compressor running in order to
8 wells producing.

9 Q. And the --

10 A. Because, again, it's part of -- we half of --
11 just -- technically speaking, half our wells are what they
12 "gas assist." And so if there's no injection pressure
13 compressor, you can't, basically, kick-start the well to
14 they call "unload it" to produce oil.

15 Q. Okay.

16 A. So that's why we can't produce that much on --
17 or tell the effect.

18 Q. So the compressor is not running right now.

19 A. No, ma'am. It hasn't run in almost 12 months.

20 Q. Why is that?

21 A. It's for lack of payment to Kodiak Gas Services.

22 MR. OLDHAM: Object to as nonresponsive.

23 MS. SIMMONS: That's not your question.

24 MR. OLDHAM: It doesn't mean I can't object if
25 nonresponsive to the answer.

1 **BY MS. HUNT:**

2 **Q. Did Kodiak shut the compressor off, or did**
3 **make the decision to turn the compressor off?**

4 A. They shut it off.

5 **Q. Okay.**

6 **MR. OLDHAM:** Why did they make that decision?
7 know.

8 **THE DEPONENT:** Due to lack of payment.

9 **BY MS. HUNT:**

10 **Q. Did -- were there ever any expressions of**
11 **post-petition in -- of an entity coming forth to say they**
12 **wanted to be a stalking-horse bidder for any of Remnant's**
13 **assets?**

14 A. Yes, ma'am.

15 **Q. What -- what entity expressed an interest in**

16 A. It was an acronym G as in Gray, L as in Lima,
17 Delta.

18 **Q. And what assets were those?**

19 A. There were two different offers: For all the
20 or just for Caprock.

21 **Q. And were both of those offers by GLD?**

22 A. Yes, ma'am.

23 **Q. What happened with the offer on all of the**

24 A. They were -- so, obviously, we were looking
25 DIP, you know, the budgets that had been filed. And so

1 our lack of capital, we just -- the debtors had worked
2 them and provided them all the data that they needed.

3 They actually had discussions, in-depth
4 with Baker Hughes as well to understand the reports that
5 did provide for the debtors, and essentially they just
6 they -- they knew we were basically out of cash and it
7 like they were trying to get us to -- to a point where
8 could, maybe have us -- just, you know, move to a
9 something like that.

10 They were -- they were not being responsive and
11 that's when we were -- where we had to bring the -- you
12 try to entice them to say "would you like to be," you
13 "the DIP provider as well," just to kind of enhance, you
14 just to get them to keep moving forward.

15 **Q. Mm-hmm.**

16 A. And they were -- they said, yes, we'd like to do
17 that. But, again, it was just lack of -- they just, you
18 it was stalled -- it was what I would consider stall

19 **Q. Okay. So then they made an offer for just the**
20 **Caprock assets after that?**

21 A. It was -- no, it was -- it was during all of
22 well. So they made -- so they made an offer on the
23 well.

24 **Q. Okay.**

25 A. With the idea, with the intent of trying to

1 recapitalize the company around the remaining assets.

2 **Q. So why didn't they go forward with that?**

3 A. Once -- because once we basically submitted our
4 budget to the -- to -- to the bankruptcy court, we were
5 capital, and we had to have a DIP. And they were --
6 not providing it. They weren't -- they were stonewalling,
7 stonewalling, stonewalling. And so, therefore, we had to
8 identify another DIP provider immediately. And when we
9 that, they, basically, just kind of went silent.

10 **Q. Okay. So they wanted all or nothing basically?**

11 A. And we offered that to them. We -- it was
12 function of where we had to have cash by a set date to
13 payroll and that was communicated to them, and they -- I
14 just -- they weren't doing it.

15 **Q. Okay. There's a document that I will find here.**

16 **Okay. I have an email here, and the Bates Stamp for some**
17 **reason is not on my printout, but the Bates Stamp of**
18 **is ROC-0004782.**

19 **MS. SIMMONS:** What was that again?

20 **MS. HUNT:** The Bates Stamp number ROC-0004782.

21 **MS. SIMMONS:** Okay.

22 **MS. HUNT:** Is the first page.

23 **BY MS. HUNT:**

24 **Q. Do you recognize this?**

25 A. Yes, ma'am.

1 Q. Can you tell me what it is?

2 A. This was an email between Daniel Gordon of GLD
3 myself.

4 (WHEREUPON, Exhibit 3 was marked for
5 BY MS. HUNT:

6 Q. Okay. This email says "Will, thanks for the
7 today. We will rework our value for Caprock and get
8 you with a proposal." Do you remember the call that he's
9 referring to?

10 A. I do. Yes, ma'am.

11 Q. What happened on that call that made him say "We
12 rework our value on Caprock"?

13 A. The initial offer was for all the assets, and it
14 an offer that would not have been sufficient for any
15 whatsoever. And so we -- we were -- so I basically
16 what would you -- what would you do just Caprock with the
17 intent of recapitalizing the remaining assets. And so
18 - that was the purpose for the call.

19 Q. Do you remember what the -- what the offer was
20 of the assets?

21 A. \$7,000,000.

22 Q. Why was that offer rejected?

23 MR. HAMM: Do you want to have the court
24 mark it?

25 MS. HUNT: Yes. Can we mark this as Exhibit 3?

1 **THE REPORTER:** Exhibit 3 is marked.

2 **MR. HAMM:** Okay.

3 **MS. HUNT:** Thank you.

4 **MR. HAMM:** Thank you.

5 **THE DEPONENT:** Why was that turned down?

6 **BY MS. HUNT:**

7 **Q. Yes.**

8 A. Because that was basically an offer that would
9 protect any -- it would get the senior -- the senior
10 creditors. It wouldn't help the unsecureds whatsoever.

11 **Q. Okay. I appreciate that. Is --**

12 A. And -- and I hope our unsecured would as well.

13 **Q. Yeah. Was it rejected because of the**
14 **Was it rejected because --**

15 A. It was rejected because we feel the assets
16 a lot more than seven million.

17 **Q. Okay. What do you feel the Caprock assets are**

18 A. That is a great question. Knowing how much
19 has been put -- been put into the Caprock area, the
20 in this current environment, it's very difficult right now
21 the A and D upstream market, it's a -- it's a buyer's

22 And so, I mean, I would hope -- I was hoping our
23 our hopes would be to get 8 to 10,000,000 for -- for the
24 Caprock asset that Seaport was marketing based upon our
25 marketing environment. But, you know, do I feel is it

1 more than that? I do. With -- with the pipeline and
2 and the -- and the 6.5 million barrels of remaining

3 **Q. Okay.**

4 **A.** But willing seller, willing buyer. It's just --

5 **Q. Right.**

6 **MR. OLDHAM:** So what -- I'm sorry. What did you
7 it was worth, what you felt it was worth?

8 **THE DEPONENT:** We are -- the debtors felt the
9 property that Seaport was marketing was worth between 8 to
10 was our -- was our hopes.

11 **MR. OLDHAM:** What did you think it was worth?

12 **THE DEPONENT:** Are you asking me personally,
13 what -- what do I think it's worth?

14 **MR. OLDHAM:** Mm-hmm.

15 **THE DEPONENT:** I think the parts are greater
16 sum. If you were to break out the pipeline and the
17 - and the pipeline. So there's -- it's -- it's just
18 know --

19 **MR. OLDHAM:** Just the numbers.

20 **THE DEPONENT:** Yeah. You know what?
21 don't have a good number.

22 **MR. OLDHAM:** So you hoped 8 to 10, somewhere
23 than 8 to 10?

24 **THE DEPONENT:** I'm sorry --

25 **MR. OLDHAM:** I thought you said that you hoped

1 8 to 10.

2 **THE DEPONENT:** We hoped that we get -- that
3 hope for what the bids --

4 **MR. OLDHAM:** Right.

5 **THE DEPONENT:** -- would bring in.

6 **MR. OLDHAM:** Right. So do you think it's
7 or less than 8 to 10?

8 **THE DEPONENT:** Apparently, based upon what
9 with Seaport, it's less than 8 to 10.

10 **MR. OLDHAM:** I'm asking what do you think it's

11 **THE DEPONENT:** 8 to 10.

12 **MR. OLDHAM:** Okay. Thanks.

13 **BY MS. HUNT:**

14 **Q.** So speaking of what happened with Seaport, I
15 here a one-page, I suppose offer, or an offer and then a
16 page letter with questions on it which I think can be
17 considered together. We will mark this Exhibit 4.

18 **(WHEREUPON, Exhibit 4 was marked for**

19 **THE REPORTER:** Exhibit 4 is marked.

20 **BY MS. HUNT:**

21 **Q.** Do you recognize this?

22 **A.** Yes, ma'am.

23 **Q.** Can you tell me what they are?

24 **A.** Right. The first one was a letter from

25 Mr. Briscoe, also Circle Ridge Production. This is the --

1 what he goes by -- for the offer of the Caprock asset.

2 **Q. Okay. And then this longer one?**

3 A. For the other one -- the longer one was the
4 one.

5 **Q. Oh, okay. And then the second one.**

6 A. The second one was to clarify: Well, what is
7 offer.

8 **Q. Okay. So the second one was to give you an**

9 A. That's correct.

10 **Q. Okay. So this is dated yesterday as we sit here**
11 **this deposition. Have you heard anything from**
12 **Mr. Briscoe since these two letters?**

13 A. Yes.

14 **Q. Okay. When was that?**

15 A. This morning via -- via phone.

16 **Q. And what did he tell you this morning?**

17 A. I'm trying to set up a field visit for -- as
18 possible, and to answer several of the questions that he
19 addressed in his first letter.

20 **Q. Okay. Did you get a field visit set up?**

21 A. He's looking at the dates right now. We are
22 prepared to provide him -- we will be available whenever
23 wants to be.

24 **Q. Okay. So number 1 on this longer letter, he**
25 **about an easement for a period of five years. We talked**

1 this briefly off the record earlier. But you said he was
2 confused by something and this isn't -- there is no
3 there's no five-year expiration and, again, I'm --

4 A. Yeah, what's the question? I'm sorry?

5 Q. -- probably misstating, but --

6 A. No, it's okay. Yeah, yeah, just -- so what's
7 question, or I'm sorry?

8 Q. So he is -- he's expressing worry in this
9 that an easement of five years starting in December 2018
10 expire if the water for secondary oil recovery for
11 was not being used. So the question is, you know, is that
12 does he have foundation to worry about that, or has the
13 been used properly to preserve that?

14 A. He does not have foundation for that worry.
15 discussed that and I went into the specifics within the
16 different water easements, and he feels comfortable with
17 now.

18 Q. Okay. Is there an expiration date coming up in
19 December of 2023?

20 A. I don't know the exact renewal date for the
21 but it was -- it is -- it was a five-year and I believe,
22 stated earlier in the deposition, I believe it was
23 December of '18.

24 Q. Okay. So he states here: What guarantee is
25 that the agreement will be renewed after its expiration in

1 **years. What is your response to that?**

2 A. I cannot predict any state policy. No one can
3 State of New Mexico. And that he -- it's simply at the
4 of, you know -- I just, that's what I told him. I'm,
5 - I can't give any certainty.

6 **Q. Okay.**

7 A. Everyone in the oil and gas business is at the
8 of the -- the -- the regulatory agencies that govern the
9 governing bodies. But they also realize and they know
10 you know, the windfall of revenue that they received is
11 of the oil and gas industry and he agrees with that.

12 **Q. Okay. He states "Circle Ridge previously**
13 **property many years ago." You stated, I think, that you**
14 **it from Legacy.**

15 A. Correct.

16 **Q. Do you know -- did Circle Ridge own it before**

17 A. Oh, yes.

18 **Q. Okay. So he -- at the end of paragraph 2, he**
19 **that he would like to "check for possible environmental**
20 **problems." Are there any environmental problems that**
21 **of?**

22 A. We submitted, I believe, in -- yes, there are
23 several, but are they daunting or overburdensome?
24 not. We have done a phenomenal job in remediating, you
25 per the BLM guidelines in the State of New Mexico, a

1 job with that and we have a good relationship with that to
2 ensure that any buyer that would look at this, that's
3 be a big issue. And so the answer is, no, it's -- it's
4 going to be a big issue at all.

5 **Q. Okay. Are there any outstanding issues with the**
6 **and Gas Commission of New Mexico that would prevent the**
7 **transfer of the wells?**

8 A. That's a -- that's a good question. So right
9 we've produced ACOI which stands for Agreed Compliance
10 Inactive Wells with the -- with the NMOCD, which is the
11 Mexico Oil Conservation Division, we are out of compliance
12 that agreement.

13 So, typically, what that states is when you
14 of compliance on your inactive well list, you cannot
15 wells to other operators. In speaking with the Assistant
16 Attorney General of New Mexico, he said if we brought a
17 qualified buyer, they would waive that -- they would waive
18 that.

19 **Q. Okay. Do you have that in writing anywhere?**

20 A. We have it just verbal.

21 **Q. Do you know what a "qualified buyer" is?**

22 A. Anyone that has cash.

23 **Q. Are there any sort of licenses that would need**
24 **obtained?**

25 A. Yes, ma'am.

1 **Q. So would a qualified buyer need to have those**
2 **licenses before the transfer?**

3 A. Yes, ma'am.

4 **Q. Okay.**

5 A. But you can still own wells and not operate

6 **Q. Okay. So can you own wells without a license**

7 A. Mm-hmm. Yes.

8 **Q. So you just need a license to operate.**

9 A. Correct.

10 **Q. Got it. Does any member -- or has any member of**
11 **Remnant previously worked for Circle Ridge?**

12 A. No.

13 **MS. HUNT:** Can we take five minutes, please?

14 **THE REPORTER:** We're off the record.

15 **(WHEREUPON, a recess was taken.)**

16 **THE REPORTER:** We are on the record.

17 **MS. HUNT:** The Committee reserves its right to
18 follow up questions based on what comes up in the
19 this exam, but we will pass questioning for the time being
20 whoever wants to take it.

21 **EXAMINATION**

22 **BY MR. OLDHAM:**

23 **Q. Mr. Gray, my name is J.T. Oldham. I represent**
24 **Gas Services in this bankruptcy. We've met before;**

25 A. Yes, sir.

1 Q. The same rules that Ms. Hunt read you at the
2 beginning of the deposition, they still apply.

3 A. Yes, sir.

4 Q. As I would have told you before, you're in
5 here. If you need to get out, take a break, go to the
6 bathroom, it's your call. Just let me know.

7 A. Yes, sir.

8 Q. I had a couple of questions for you before lunch
9 had to do with the marketing and sale of non-Caprock
10 Do you remember that?

11 A. Would you please refresh my memory?

12 Q. Prior to our lunchbreak, I thought your
13 that you had not actively marketed the non-Caprock assets.
14 When we came back from lunch, I thought your testimony was
15 you actually had.

16 A. I just -- my apologies. I thought "had we"
17 we hired a firm to market those.

18 Q. I got you. And have you hired a firm?

19 A. No, sir.

20 Q. Okay. Are you planning to?

21 A. Yes, sir.

22 Q. When are you going to do that?

23 A. I'd like to go out and do that and have someone
24 identified this week.

25 Q. Okay. So you're going to -- do you have

1 **mind?**

2 A. Yes, sir.

3 **Q. Who is that?**

4 A. The PLS -- PLS first and then after that

5 **Q. Okay. So you don't have one specifically in**
6 **but you have an idea who you'd like to engage.**

7 A. Yes, sir.

8 **Q. Okay. Why haven't you done that already?**

9 A. It was our hopes to have enough cash from the
10 the Caprock assets to reorganize around our remaining non-
11 Caprock assets.

12 **Q. Okay. At what point did the company make the**
13 **decision that instead of marketing these non-Caprock**
14 **sale that it would now market them for sale?**

15 A. What we had liked to market would be
16 the North Square Lake unit. To keep -- to keep that one
17 remaining asset to reorganize around.

18 **Q. My question was in this -- as of the petition**
19 **you did not plan to market the non-Caprock assets for**
20 **that a fair statement?**

21 A. That's a fair -- yes, sir.

22 **Q. Okay. And as we're sitting here on October**
23 **named a couple of firms that you would be looking to**
24 **market and sell those assets.**

25 A. Correct.

1 Q. So between July 19, 2019 and today, when did the
2 decision change?

3 A. This week when bids were due.

4 Q. Okay. So it was Monday?

5 A. Yes, sir.

6 Q. And so the impetus for selling those assets is
7 substantial enough bid wasn't received by the date?

8 A. Correct.

9 Q. And the \$6,000,000 offer letter that we've
10 to earlier, I forget which exhibit it was.

11 MS. SIMMONS: Four.

12 MR. OLDHAM: Four?

13 BY MR. OLDHAM:

14 Q. Obviously, it's not a bid yet, but assuming
15 Ridge Production or whoever actually would buy the non
16 buy the Caprock Assets for \$6,000,000, would you still
17 sell the non-Caprock assets?

18 A. Yes.

19 Q. Okay. So --

20 A. Well, pardon me, I have to qualify that. We
21 like to sell everything, to market everything inclusive of
22 wind rights with the -- with the appropriate firm. I
23 think that PLS or Energy Net would be the appropriate

24 I think there's probably individuals -- I'm
25 wind expert, but I'd like to research that ASAP to find

1 firm for, specifically, the wind. But the remaining
2 excluding the North Square Lake, we'd like to market
3 immediately.

4 Q. Okay. We -- we talked about eight assets of the
5 company: The pipeline, the working interest, and the
6 licenses. We -- I think we agreed to call those the
7 assets. We have the five waterflood areas, the dry gas of
8 approximately 17,000 square feet [sic], the 45 one-off
9 the small overriding royalty interest in West Texas, and
10 wind rights; correct?

11 A. Yes, sir.

12 Q. You just mentioned -- was it Ron Boler, or I'm
13 not Ron Boler -- what was the asset you just mentioned?

14 A. North Square Lake unit.

15 Q. Yes, sir. Which one of the -- which -- North
16 Lake unit is which one of those?

17 A. It falls within the five waterfloods.

18 Q. Okay. Okay. And the basis for that marketing
19 non-Caprock assets -- and when I say "Caprock," it's
20 to Caprock.

21 A. Okay.

22 Q. Seaport's marketing Caprock assets and then
23 fall into the bucket of non-Caprock assets. The
24 now market those or try to sell those is based on what?

25 A. The bids. The -- obviously the -- the lack of

1 or -- or the expectations of the divestiture of the
2 assets that we received this week.

3 **Q. Okay. Anything else, or just that?**

4 A. Just that. That's -- we -- we don't want to
5 them, but we realize we need to sell them to help protect
6 everyone.

7 **Q. Okay. And so -- so the deadline was Monday. It**
8 **would logically follow that the decision was made Monday,**
9 **between Monday and today.**

10 A. Correct.

11 **Q. Okay. What bid would you need to have**
12 **order not to market the non-Caprock assets?**

13 A. 8 to 10.

14 **Q. Can you be any more specific than 8 to 10, or**

15 A. That's just -- yeah, that's just the range.

16 **Q. Okay. Of the eight assets that you've listed,**
17 **eight buckets of assets that are listed, which of these**
18 **purchased from Legacy?**

19 A. The dry gas, the 17,000 acres.

20 **Q. Okay.**

21 A. The wind rights and a handful of the 45 wells.

22 **Q. And that was -- was not purchased from Legacy?**

23 A. That -- that was -- yeah. Some of those -- some
24 those -- there's a subset of those 45 wells that -- that
25 purchased from Legacy.

1 **Q. Okay. And the Caprock Assets were purchased**
2 **who?**

3 A. Legacy.

4 **Q. Okay. This is probably a question -- of the**
5 **buckets of assets that we've talked about, the eight**
6 **assets that the debtor has, were any of those eight**
7 **or acquired in some -- from some other entity other than**
8 **Legacy?**

9 A. Yes, they were.

10 **Q. Okay. Which ones were those?**

11 A. We have the North Square Lake unit.

12 **Q. And that's the five waterflood units?**

13 A. The five waterfloods, yes. So they -- they
14 various different names. The five waterfloods.

15 **Q. Okay.**

16 A. And then there's a -- and then a portion of
17 wells. What we call like the -- those -- we call those
18 outliers.

19 **Q. Okay. How many are those?**

20 A. I don't know off the top of my head the exact

21 **Q. Ballpark, 50 percent?**

22 A. Oh, gosh, no. Maybe 10 percent.

23 **Q. Okay. So everything else was acquired from**

24 A. Correct.

25 **Q. The five waterflood areas, and the ballpark 10**

1 **percent of the 45 one-off wells, how were those acquired?**

2 A. Can you please be clear on when you say "how
3 they acquired"?

4 **Q. Sure. I think we agree the others, everything**
5 **those two the debtors got from Legacy.**

6 A. Right.

7 **Q. So we have two buckets of assets. And who did**
8 **the five waterflood areas from?**

9 A. Oh, okay. Okay. LLJ Ventures.

10 **Q. Okay.**

11 A. That was North Square Lake.

12 **Q. When was that?**

13 A. That was February, I believe February of 2017.

14 **Q. Okay. And how about for the 10 percent or**
15 **many of the 45 one-off wells?**

16 A. Those would be -- those would be in addition
17 other four waterfloods and those were -- pardon me, three
18 waterfloods. I apologize, the South Red Lake II unit was
19 Legacy Reserves. I apologize. There's so many assets.

20 So of -- of the five waterfloods, four of
21 acquired from other entities. The North Square Lake
22 LLJ Ventures and then the other three is what the partners
23 contributed to -- to start Remnant Oil Company.

24 **Q. Okay. So with LLJ Ventures, you acquired the**
25 **Square Lake unit from them in February 2017.**

1 A. Correct.

2 **Q. The other four waterflood areas were contributed**

3 --

4 A. The three. I'm sorry, the three. I apologize.
5 apologize. The five -- of the five waterfloods, one of
6 was part of the Legacy package. So there was,
7 four that were --

8 **Q. Okay.**

9 A. -- acquired outside the Legacy.

10 **Q. I got you.**

11 A. One being LLJ Ventures.

12 **Q. And the other three.**

13 A. The other three were contributed by the partners
14 start Remnant Oil Company.

15 **Q. Okay. And then what about the plus or minus 10**
16 **percent of the 45 one-off wells?**

17 A. That was also part of contribution of the
18 kick off Remnant.

19 **Q. And who contributed those?**

20 A. WS Oil and Gas Limited, Gilmore Oil and Gas
21 and RS Resources Limited.

22 **Q. Okay. All in equal quantities, or who put up**

23 A. It was a -- it was a third, a third, a third.

24 **Q. I understand that's the ownership of the**
25 **I'm wondering who contributed what.**

1 A. We all owned a third, a third, a third of the
2 So we all contributed.

3 Q. I got you. And you owned a third, a third, a
4 of the assets through a different company?

5 A. Through our individual limited partnerships.

6 Q. Okay. So you're all one-third interest owners

7 A. That's correct.

8 Q. In plus or minus 10 percent of the one-off wells
9 three of the five waterflood areas.

10 A. Correct.

11 Q. Which three were those?

12 A. Those were the Turkey Track.

13 Q. Okay.

14 A. Hackberry, and Lusk Seven Rivers unit.

15 Q. Okay. How much did you pay for the -- how
16 you pay Legacy for the balance of the assets?

17 A. I do not know the answer to that as those were
18 acquired in 2016 in a large package.

19 Q. I thought you said 2017 April.

20 A. No, that was from LLJ Ventures.

21 Q. Okay. So you acquired --

22 A. The dry -- the dry gas assets in the South Red
23 one of the waterflood areas, those are what we
24 were part of a large package that we -- that we bought
25 Legacy.

1 Q. Can you --

2 A. In April of '16.

3 Q. Okay. You've done -- you've purchased assets
4 Legacy on one -- the debtors have purchased assets from
5 on only one occasion; right? On one occasion?

6 A. We've done two transactions with Legacy

7 Q. Okay. The first transaction was in '16.

8 A. April of 2016.

9 Q. Okay. And the second was April of '17?

10 A. Yes, sir.

11 Q. Okay. The transaction in April of '16 was for
12 assets?

13 A. It was for a number of Texas wells that we
14 divested other than the small little overriding royalty
15 interest that I have disclosed.

16 Q. Okay.

17 A. And then the dry gas, the 17,000 acres of dry

18 Q. Okay.

19 A. The South Red Lake II unit.

20 Q. Okay.

21 A. And again a handful of those 45, kind of, one-
22 wells.

23 Q. Okay. And that was in April of '16?

24 A. Yes, sir.

25 Q. So April of '17, you bought the Caprock

1 **the pipeline, working interest, and the two water**

2 A. And the surface; correct.

3 **Q. As well as --**

4 A. And the wind.

5 **Q. -- the wind rights. And how about any of the 45**
6 **off wells?**

7 A. No. Those were -- those were in '16.

8 **Q. Okay. So in '17, Caprock assets and wind**

9 A. Correct.

10 **Q. How much did you pay in April of '17 for those**
11 **assets?**

12 A. We paid 2.5 million.

13 **Q. Okay. Was it cash deal, was it financed?**

14 A. It was a combination of cash and also financed.

15 **Q. Okay. How did you improve the property such**
16 **now believe that it's worth 8 to 10,000,000?**

17 A. We perfected the water rights. So during this
18 two things have occurred: One is -- pardon me, three
19 have occurred. There is the uptake of commodity pricing.
20 Second is we have perfected the water rights. The third
21 the -- the -- the value of the wind rights which were non-
22 existent when we purchased the assets.

23 And something that has also come about
24 it's called Rule 45Q and that's a brand of rule that's
25 I would -- I would call it similar to kind of what the

1 and --

2 **Q. Solar energy tax credit?**

3 A. Yes, sir.

4 **Q. Okay.**

5 A. So --

6 **Q. Wind rights. I'm sorry.**

7 A. Oh, yeah. So essentially Rule 45Q deals
8 with CO2, the sequestration and storage. The acronym is
9 CCSU, Carbon Capture Storage Utilization. So
10 have to sequester the CO2 and then they have to store it.
11 therefore the Caprock the way that it's set up
12 speaking is a perfect storage facility for that CO2.
13 the pipeline that connects to the Cortez line, it's --
14 it's -- it's just a perfect situation for that.

15 **Q. How much of the 2.5 million was attributable**
16 **wind rights?**

17 A. We actually attributed -- it wasn't -- it was
18 the wind because it -- we attributed it to the surface.

19 **Q. Okay. Did you purchase any wind rights? Or did**
20 **simply purchase the surface from Legacy?**

21 A. Both.

22 **Q. Okay. Did Legacy just have the surface**
23 **They didn't know that they could lease it out for wind**
24 **utilization?**

25 A. They did know. And they had been -- they were

1 contacted previously and declined to accept an offer.

2 **Q. Okay. And do you attribute any value in that?**

3 A. No because the -- the company that did it was --
4 a -- they had, I mean, gone away.

5 **Q. I got you. But you believe now they're worth**
6 **3,000,000 or 4,000,000?**

7 A. 4,000,000.

8 **Q. 4,000,000. So how did it go from 0 to**

9 A. Because EDF has come in there and signed leases.
10 we have two -- we have two leases that basically provide a
11 minimum royalty -- royalty payment for 30 to 40 years.
12 have the exact number, I apologize.

13 **Q. It's okay.**

14 **MR. OLDHAM:** Sorry, did we mark this earlier?
15 have one of them I believe.

16 **MS. SIMMONS:** It wasn't marked.

17 **MR. OLDHAM:** Let's mark this one. This will be
18 -- we're up to Exhibit 5?

19 **THE REPORTER:** Mm-hmm.

20 **(WHEREUPON, Exhibit 5 was marked for**

21 **MR. OLDHAM:** You will have to forgive me because
22 (3:05:32).

23 **BY MR. OLDHAM:**

24 **Q. Exhibit 5, I represent is ROC-1365 through ROC-**
25 **Can you take a look at that?**

1 A. Yes, sir.

2 Q. And I'm simply wondering where in the lease it
3 that the royalty payments begin in Q3 of 2020 and last for
4 years.

5 A. It doesn't state that in -- in this document.
6 states that when the wind farm goes into operational
7 when the minimum royalty payments start.

8 Q. That's not what you said earlier though; right?
9 said, earlier, you get a minimum payment that starts in Q3
10 will last for 40 years or earlier, whatever the term was.

11 A. Right.

12 Q. I said, okay, well, how did you get that number.
13 said, it was annual lease.

14 A. I apologize. So that was -- the minimum royalty
15 in the lease once the wind farm goes into operations.

16 Q. Okay. Can you show that to us?

17 A. I -- at this time, I do not know because my
18 partner who is a landman attorney did this. But I can
19 because I know I'm in the royalties.

20 MS. SIMMONS: Objection. This document speaks
21 itself. I mean, if you're asking for a legal
22 not an attorney.

23 MR. OLDHAM: I didn't, Bethany. I just asked
24 show me which page he's referring to based on his prior
25 testimony.

1 **MS. SIMMONS:** And that testimony will reflect --
2 -- the -- the record will reflect the prior testimony

3 **MR. OLDHAM:** Okay.

4 **BY MR. OLDHAM:**

5 **Q. I'm still waiting for your answer, sir.**

6 **A.** Okay. On Exhibit C, it discusses minimum annual
7 operating payment.

8 **Q. What's the Bates number?**

9 **A.** It's -- it just says page 1, Exhibit C towards
10 very end. It's 1393.

11 **Q. Okay. What's the minimum annual operating**

12 **A.** Years 1 through 10, 95,700 per year. Years 11
13 through 20, 11,650 [sic] per year. Years 21 through end
14 term, \$127,600 per year.

15 **Q. Okay. And is there anything that needs to**
16 **prior to those payments, those minimum annual payments**
17 **in?**

18 **A.** Yes. They -- they have to have -- it has to
19 operations, the wind farm.

20 **Q. Okay. So theoretically, it could be worth**
21 **4,000,000, but until it's in operation, there are no**
22 **payments; would that be fair?**

23 **A.** That -- that's a fair -- yes, sir.

24 **Q. Okay. Are they in operation right now?**

25 **A.** They are constructing right now.

1 **Q. Okay. So they -- they're not in operation**
2 **otherwise you'd be receiving a royalty payment.**

3 A. Yes, sir.

4 **Q. Okay. With the projected to finish or complete**
5 **construction by Q3 of 2020?**

6 A. As verbally stated by EDF to us; correct.

7 **Q. Okay. And the 50 percent interest in not**
8 **leases, the -- in the other --**

9 A. Right.

10 **Q. How is that structured?**

11 A. From what I've been told by EDF, it's the
12 of this lease.

13 **Q. Okay.**

14 A. So in with -- so rather than our 75 percent,
15 be at 50 percent.

16 **Q. Okay. So the minimum annual payments they're**
17 **about in this case the debtors own 75 percent of that.**

18 A. Right.

19 **Q. Who is the other 25?**

20 A. It's -- it's TK Ranch.

21 **Q. Okay. Because there is the surface on it?**

22 A. That was the deal we made with them when we --
23 we divested of the ranch.

24 **Q. Okay. The other 50 percent that we've talked**
25 **what percentage does the debtors own, do the debtors own**

1 **that, of the 50 percent?**

2 A. 50 percent.

3 **Q. Okay. Who owns the other 50?**

4 A. I -- I -- I can't answer that.

5 **Q. How did the debtors come about owning that 50**
6 **percent?**

7 A. We acquired that from Legacy.

8 **Q. Okay. You acquired -- you acquired 100**
9 **then sold 50 percent?**

10 A. We acquired 50.

11 **Q. 50. Same question. Is it -- if the terms of**
12 **agreement are the same, do you know if the construction of**
13 **actual wind turbines or whatever they're putting there**
14 **set to be finished by Q3 of 2020?**

15 A. On that acreage, I know they have two phases,
16 do not know on that particular acreage where they stand.

17 **Q. Okay. How much is that 50 percent worth? Do**
18 **do you have an opinion as to the value of it?**

19 A. We just essentially just kind of did the math on
20 based on what these terms looked like and did it on the
21 acre basis.

22 **Q. Okay. And is that accounted for in the**
23 **valuation?**

24 A. Yes, sir. Yeah, yes, sir.

25 **Q. And has that value changed since the time you**

1 **the declaration?**

2 A. I think it has changed. It's gone up a little

3 **Q. And -- sorry, go ahead.**

4 A. Yes, sir. Because they have come out with
5 call "turbine sitings." Meaning when we -- when pre-
6 we didn't know there were going to be turbines on the
7 or not because they -- they don't specify it. Since
8 construction has began, they have determined the number of
9 where some of these turbines are going to be located,
10 of those turbines will be on our leasehold.

11 **Q. I got you. I just want to clarify it. So if**
12 **no construction, then you don't receive anything.**

13 A. That's correct.

14 **Q. And if there was no construction pre-petition,**
15 **theoretically, they're not worth anything, now they begin**
16 **construction. So at some point when they complete, now**
17 **start receiving royalty payments; is that your**

18 A. That's my understanding. Correct.

19 **Q. When did you come to learn that they were**
20 **construction on the 50 percent interest?**

21 A. When -- I would say several weeks ago.

22 **Q. Okay.**

23 **MS. SIMMONS:** Just to be clear. The 50 percent
24 interest or the 75 percent interest?

25 **MR. OLDHAM:** 50.

1 **THE DEPONENT:** Several weeks ago.

2 **MS. SIMMONS:** Okay.

3 **THE DEPONENT:** When they started construction on
4 that.

5 **BY MR. OLDHAM:**

6 **Q.** Okay.

7 **A.** Because again we're -- we're not in charge of

8 **Q.** Correct. Fair enough. Prior to that, they
9 worth anything. But since they have begun construction,
10 saying, theoretically.

11 **A.** Right.

12 **Q.** So when did you sign your declaration?

13 **A.** On July -- I believe it was July 16th of 2019.

14 **Q.** Okay. So how could you possibly take those
15 into consideration for the wind rights if you just found
16 couple of weeks ago that they were going to do

17 **A.** We, basically, had signed the lease. But,
18 that was prior -- pre-petition. But we also were privy to
19 they were doing with Tucson Electric, TEP, and they
20 that TEP had the PPA signed or purchased it, pre-petition.

21 **Q.** I'm sorry, I -- I don't follow. I know you said
22 prior to them actually doing construction --

23 **A.** Right.

24 **Q.** -- there was no value.

25 **A.** There's -- right. So it's -- it's a projected

1 So --

2 **Q. Okay.**

3 A. -- when I looked at it, so basically between
4 and my two partners, we had an existing lease.

5 **Q. Right.**

6 A. And the lease could be worth nothing until
7 it.

8 **Q. Right.**

9 A. If they don't build it, the lease is worth 0.

10 **Q. Correct.**

11 A. So when we put in my declaration that I signed
12 July 16th, we knew that basically they were going to build
13 because they had executed a PPA with Tucson Electric, TEP.
14 upon execution of the PPA, they're obligated to build it.

15 **Q. When you say "they," who is the they?**

16 A. EDF.

17 **Q. Okay. So you knew, pre-petition, EDF --**

18 A. Was -- was with TEP --

19 **Q. Okay.**

20 A. -- And also other communications from EDF, from
21 -- from CILA regarding items that they were -- that they
22 commencing with the project, even though they have not
23 construction, but they were commencing.

24 **Q. Okay. Does the valuation change depending on**
25 **number of turbines?**

1 A. Yes, sir.

2 Q. And I'm saying "turbine." I'm assuming it's
3 propeller thing?

4 A. Yeah.

5 Q. Okay. How does it change depending on the
6 turbines they put on there?

7 A. It's the greater of.

8 Q. Okay.

9 A. So you have a minimum or whatever the turbine
10 produces and I -- I cannot tell you how much -- what --
11 that produces.

12 Q. Okay. So how do you put a valuation on it?

13 A. On a minimum royalty payment.

14 Q. What's the minimum royalty for this 50 percent?

15 A. I -- I don't --

16 MS. SIMMONS: Asked and answered. He already
17 didn't know.

18 BY MR. OLDHAM:

19 Q. You don't know what the minimum royalty
20 I'm -- I'm not trying to confuse you.

21 A. Oh, no, no, no. No, no, no. It -- no, no,
22 I'm sorry. It would be the same terms as in the lease.

23 Q. Okay.

24 A. From what -- from what I was told by EDF, and I
25 -- and I stated previously I hadn't seen that lease.

1 **Q. Have you -- you may have asked -- I may have**
2 **this before. Have you asked for the lease?**

3 A. We have not. No.

4 **Q. Okay. These two leases are worth how much?**

5 **MS. SIMMONS:** Objection. Asked and answered. I
6 think we've gone all this over and over and over again.

7 **BY MR. OLDHAM:**

8 **Q. You put a valuation of \$4,000,000 on the wind**
9 **correct?**

10 A. Correct.

11 **Q. How much is attributable to the 50 percent**
12 **much is attributable to the 75 percent here?**

13 A. I don't have the exact answer.

14 **Q. Okay. How did you come to the number 4,000,000?**

15 A. Taking the numbers of what -- on a per-acre
16 just calculating what the acreage was on the 50 percent.

17 **Q. Taking the acre -- as far as the --**

18 A. The --

19 **Q. -- what's been leased?**

20 A. So the formula -- so the formula that's been set
21 forth on the lease.

22 **Q. Okay.**

23 A. And then just simply applying that to the --
24 acreage that was on the 50 percent of the wind rights.

25 **Q. I got you. And then times 0.5.**

1 A. Yes, sir.

2 Q. Fair enough. You said your valuation has or
3 changed since the day you say you signed the petition?

4 MS. SIMMONS: Objection. Asked and answered.

5 THE DEPONENT: Okay.

6 MR. OLDHAM: You can answer.

7 MS. SIMMONS: You can --

8 THE DEPONENT: Oh, answer. Okay, I'm sorry.

9 MS. SIMMONS: Yeah.

10 THE DEPONENT: My apologies. Okay, so -- I'm
11 can you please repeat the question?

12 MR. OLDHAM: Can you read it back to him?

13 MR. HAMM: He'll read it back to you.

14 THE DEPONENT: Oh. All right.

15 BY MR. OLDHAM:

16 Q. Has the valuation changed? That was my

17 THE DEPONENT: Oh. I believe they have
18 there -- we do know that there's -- they are going to what
19 call site turbines on the acreage. How much? I cannot --
20 cannot quantify that.

21 BY MR. OLDHAM:

22 Q. Pardon my ignorance. Does that mean that
23 putting more turbines on the acreage as opposed to the
24 monthly payment?

25 A. When I signed the declaration, we didn't know

1 many turbines they were going to put on our property.

2 **Q. Right.**

3 A. As of right now, we have -- we -- we know how
4 turbines are going to be -- approximately going to be
5 the property.

6 **Q. With the 75 percent or the 50?**

7 A. Both.

8 **Q. Okay.**

9 A. So there's --

10 **Q. And --**

11 A. -- well, right now, under the two leases that we
12 have. So under the newly amended lease, which is the
13 one, there's going to be one turbine plus one
14 that they could put one on. On the 50 percent, we just
15 out they're going to put five turbines on that property.

16 **Q. Okay. So five turbines going for 50 percent**
17 **and then we have one, and maybe two on the 75 percent?**

18 A. Correct. Right.

19 **Q. Okay. What is the payout for the one,**
20 **on 75 percent interest property?**

21 A. I have no clue because that's -- that's --
22 above my pay grade. Looking at how many megawatts it
23 and it's a floating rate, I -- I can't answer that.

24 **Q. I got you. Since you're the CEO, who's above**
25 **pay grade?**

1 A. My partners and I share -- even though it's a
2 we share equal partnership.

3 Q. Okay. What would you need to do to assess the
4 of the 75 percent interest for the two wind leases as we
5 here today?

6 A. I'd like to hire a -- a valuation expert.

7 Q. Okay. And the same question for the five
8 the 50 percent interest.

9 A. Same -- same response. We need to hire a
10 expert on the wind.

11 Q. I'm assuming you've hired one.

12 A. No, sir. We have not.

13 Q. No. Have you been looking for one?

14 A. No. I've been busy trying to sell Caprock.

15 Q. I got you. Do you plan to look for somebody
16 those?

17 A. What, sir?

18 Q. Do you have any plans to find someone to
19 sell those?

20 A. Absolutely. What we'd like to do is -- or to
21 determine -- it will not be the two -- the two firms I've
22 mentioned previously that would market the oil and gas
23 I believe it would be a complete different entity that
24 specializes in renewable energies.

25 Q. Okay.

1 A. And I will work with EDF to determine who that
2 be as quickly as possible.

3 **Q. The \$100,000 bid that was made, who made that**

4 A. That was through York Capital.

5 **Q. And you were -- the \$100,000 was a bid or**
6 **purchase what?**

7 A. The -- I haven't actually seen the full bid.

8 **Q. Okay.**

9 A. So I don't know if it was for -- I -- I
10 was for the two leases and the 50 percent.

11 **Q. Okay. How did York -- York Capital?**

12 A. York.

13 **Q. How did York come to find out that you were**
14 **interested in selling the wind leases?**

15 A. When they were doing the -- their due
16 determine if they were going to provide a DIP or not,
17 obviously they looked at, you know, all the various
18 collateral, and they, essentially said that, you know,
19 like to make an offer on the wind, and I think it's a
20 duty to say, listen, I think -- listen, what we have, if
21 makes -- if it makes monetary sense then, yeah, let's --
22 evaluate it.

23 **Q. Did you know that they had made the \$100,000?**

24 A. Not until they wired in their 10 percent

25 **Q. Okay. Did you have any conversations with**

1 **that?**

2 A. None.

3 **Q. Why not?**

4 A. I was working with Bill Briscoe to solely
5 getting -- getting him to bring in his number.

6 **Q. Okay. Are you curious as to why they offered**
7 **\$100,000?**

8 A. No.

9 **Q. Why?**

10 A. These -- I think it's several young men that
11 basically are just trying to bottom-feed on a company
12 that's struggling and trying to pick up an asset for two
13 on the dollar if not less.

14 **Q. Okay. You feel like it wasn't really an offer?**

15 A. No.

16 **Q. Okay.**

17 A. To me it was a one, like a \$1 offer in my

18 **Q. I got you. Would it be a fair statement that it**
19 **so low that it didn't warrant a response?**

20 A. I would -- in my opinion, I would still like
21 back to them to see could they -- will they go up or not.
22 don't think they will. That's just my opinion.

23 I think if they would like the wind rights, I
24 if -- if the Court would allow us to market -- to market
25 wind rights with a reputable company, I would, you know,

1 percent encourage them to participate in that.

2 **Q. So you -- you haven't responded to their**
3 **offer yet.**

4 **A. Yes. Correct.**

5 **Q. Okay. And you do or don't plan to respond?**

6 **A. I need to discuss with my partners.**

7 **Q. Okay.**

8 **MS. SIMMONS:** Daren, do you need a break?

9 **MR. OLDHAM:** Are you --

10 **MS. SIMMONS:** Looks like he does not.

11 **BY MR. OLDHAM:**

12 **Q. Are you concerned that they think the value is**
13 **100,000?**

14 **MR. BRINKMAN:** I ask you --

15 **THE DEPONENT:** No, I'm not concerned.

16 **BY MR. OLDHAM:**

17 **Q. Are you interested -- if they offer -- I mean**
18 **like somebody giving you 20 bucks for a Ferrari; right?**

19 --

20 **A. That -- that's a --**

21 **Q. -- how the valuation is.**

22 **A. That's a fair statement. Yes.**

23 **Q. Are you at least a little curious as to how they**
24 **up with their 20 bucks for a Ferrari?**

25 **A. In talking with -- in talking with Tenaci,**

1 one of the individuals I've been dealing with specifically
2 York Capital, I was asking him what his -- you know, how
3 -- because he -- he would -- basically was walking
4 know, his how do you -- how do you value these.

5 And now that I was able to provide him the
6 originally, it was difficult, you know, other than to
7 the minimum --

8 **Q. Payment.**

9 A. -- the minimum royalty payment, it was -- you
10 couldn't model past that. I mean, hypothetically you

11 **Q. Right.**

12 A. But not accurately. And so what they felt was
13 - that basically, that, you know, when he does the --
14 part of their fund. Their fund is a distress buy fund.

15 **Q. Okay. Do you know why they only offered**

16 A. No, sir. I do not.

17 **Q. Okay. Do you think it's a fair statement to say**
18 **they don't value those assets as highly as you do?**

19 A. Correct.

20 **Q. In fact, it's two different worlds; right? I**
21 **\$100,000 and you're saying \$4,000,000 bare minimum.**

22 A. Correct.

23 **Q. Okay. The \$6,000,000 contingent off of whatever**
24 **want to call it from the -- was it Circle Oil? Circle**
25 **Production, Inc., do you consider that a legitimate offer?**

1 A. I do.

2 **Q. Subject to the contingencies listed out?**

3 A. Correct.

4 **Q. Who over at Circle Ridge Productions have you**
5 **dealing with?**

6 A. Bill Briscoe.

7 **Q. Okay. And did you know him before this hopeful**
8 **transaction?**

9 A. The first time I met Mr. Briscoe was in May of
10 after we bought Legacy because he was a -- he's a 5
11 royalty owner across all of our -- well, Caprock assets,
12 the oil and gas assets.

13 **Q. Okay.**

14 A. And back then we were distributing revenue
15 that's how Legacy did it. And so I would call the royalty
16 owners, just introduce myself. And so that's how I met
17 Briscoe because as a 5 percent holder, he has a
18 he owns a significant piece of the Caprock.

19 **Q. Okay. Fair to say it was an introduction made**
20 **Seaport?**

21 A. That's correct.

22 **Q. Have any introductions been made by Seaport?**

23 A. Yes.

24 **Q. Okay. Who was that? And if it's a list of**
25 **tell me the --**

1 A. They're --

2 Q. Let me -- strike that. Do you think it's --
3 had a good experience with Seaport? Do you think
4 their job?

5 A. Yes, I do.

6 Q. Why is that?

7 A. You know, they -- they -- they did bring some
8 to the table that I've never heard of -- really, I've
9 heard before in the EOR business.

10 Q. Okay.

11 A. Which really surprised me. And those came out
12 Elk Petroleum bid process -- those -- those individual
13 And, you know, we did one data room presentation that this
14 gentleman was a ex -- with Netherland Sewell, NSAI,
15 engineer who was probably one of the most intelligent
16 I've ever met, and I've never heard of this guy before.
17 just -- yes, so -- so -- so to go back, to answer your
18 question, they -- they -- they did a good job.

19 Q. Okay. They made various introductions or
20 people that you hadn't heard of before?

21 A. Correct.

22 Q. They made one data room presentation.

23 A. Correct.

24 Q. Anything else that you can think of?

25 A. I answered questions via email on -- for --

1 couple of -- of their bidders, potential bidders.

2 **Q. Okay. Okay.**

3 A. And they still have one potential company out
4 - pardon me, I -- I forget the name because I don't know.

5 **Q. Okay.**

6 A. I think it's -- I've never heard of them before,
7 it's essentially just an assumption of liability. It's
8 cash offer.

9 **Q. Okay. And the one quasi-offer that you have,**
10 **\$6,000,000 offer, was not through Seaport; correct? I**
11 **knew Bill Briscoe before.**

12 A. Oh, yeah, he -- correct. Yeah, it was -- it was
13 Remnant's contact.

14 **Q. Okay.**

15 A. The debtors' contact.

16 **Q. Okay.**

17 A. In fact, I -- I introduced a number of -- of
18 I've been dealing with to Seaport.

19 **Q. I got you. Why did Mr. Briscoe submit an**
20 **in the matter of interest after the bid deadline?**

21 A. He --

22 **Q. Is he not aware of the bid deadline?**

23 A. Mr. Briscoe is a, I would say, an
24 the realm of how to work through a bankruptcy process on a
25 Sale.

1 **Q. Uh-huh.**

2 A. And so therefore would rather deal on a
3 basis rather than -- he just doesn't -- per his terms,
4 saw the 50-page bidding document, he about passed out. He
5 he read two pages and said I just -- if you don't get what
6 want, let me know.

7 **Q. Okay. He obviously hasn't been out there, and**
8 **a couple of other issues that he needs to clear up.**
9 **you first contact Mr. Briscoe?**

10 A. I was talking with Mr. Briscoe prior to the
11 engagement of Seaport updating him on all the items that
12 have, you know, for the field.

13 **Q. All right.**

14 A. With the water, with the -- with the pipeline,
15 the Rule 45Q, helping him understand how -- how he can
16 economics of the asset because what he had to understand
17 how much capital does he have to bring to make this work.

18 **Q. Did he know that there was a bid deadline?**

19 A. Yes. Yes, he knew.

20 **Q. So he just gave us a hard time about it?**

21 A. No, I -- I wouldn't say he's being difficult
22 whatsoever. I wouldn't classify that whatsoever.
23 Unfortunately -- I wish you all knew Mr. Briscoe and you
24 understand.

25 **Q. That's why I'm asking you.**

1 A. Yeah. No, he is -- he's a -- he's a -- to my
2 knowledge, I've been working with him, he's an honorable

3 **Q. Mm-hmm.**

4 A. He's just an -- he's an older gentleman, an old
5 school oil and gas guy that just does things the way he

6 **Q. Okay.**

7 A. He -- he does understand it's through a
8 and that -- that makes him feel comfortable for title,
9 though -- but --

10 **Q. Does he -- do you know if he has the financial**
11 **capacity to actually bring \$6,000,000 to the table?**

12 A. That was my first question when we started
13 negotiating a long time ago and his answer was he -- he
14 putting some of his own cash in it and also his bank was
15 financing the rest.

16 **Q. Okay. So maybe, maybe not.**

17 A. I have requested a letter from his financial
18 institution.

19 **Q. I got you. Okay. Assuming he could come up**
20 **6,000,000 and his financial went through and he**
21 **Caprock assets, is it the debtors' position that there**
22 **need to sell the other assets?**

23 A. It's the debtors' position that we would need to
24 the other assets except the North Square Lake. We've --
25 been through a -- a myriad of different scenarios on how

1 make this work with what little cash is left over from
2 sale, and we will need to proceed with a divestiture of
3 pods except keeping the North Square Lake unit to -- to
4 recapitalize around.

5 **Q. Okay. How much is the North Square Lake unit**

6 A. I would put it at a value between -- and this is
7 going to be a broad range. I would put somewhere
8 \$3,000,000.

9 **Q. Okay. Why hang on to that as opposed to the**

10 A. It has better -- when you -- when you look at --
11 you model it out from the development standpoint, it has
12 rates or returns and better IRRs.

13 **Q. Okay. So it's --**

14 A. Working on it.

15 **Q. -- at least by people's standards, the most**
16 **marketable. It's the most attractive to you.**

17 A. To -- to -- to use, correct.

18 **Q. Okay.**

19 A. There are some -- some intricacies on the land
20 that would make it difficult to market in regards that
21 wellbore only property. We don't own any of the
22 rights. So that would make it -- so most people do not
23 wellbore only wells --

24 **Q. Okay.**

25 A. -- or wellbore only packages.

1 Q. So you would not be the operator; is that fair?

2 A. No, we are the operator.

3 Q. You would be the --

4 A. No, we are the operator. Right. We are the
5 of the North Square Lake unit.

6 Q. Okay.

7 A. For the -- for the unitized interval.

8 Q. Okay.

9 A. For the unit.

10 Q. How much money do the debtors have right now?
11 much cash in the bank?

12 A. As of this morning, I believe with the inclusion
13 the utility placeholder, 327,000 and change.

14 Q. What's the utility placeholder?

15 A. I think it's \$32,800 that was mandated by the
16 Trustee.

17 MS. SIMMONS: He's referring to the deposit that
18 had to --

19 MR. OLDHAM: Which --

20 MS. SIMMONS: -- for the insurance. So it's --

21 BY MR. OLDHAM:

22 Q. So 3 -- you said 327?

23 A. I believe 327 and change. Yes, sir.

24 Q. Okay. Less security deposit and change. So how
25 can the debtors last without a sale -- without any

1 **DIP financing?**

2 A. Well, on -- we're looking at two scenarios. One
3 there's obviously the repayment of the debt to Car
4 Waterton -- Waterston that we need to address and that
5 have enough cash to sustain us through that period.

6 So if -- if, so for instance if we -- we are
7 moving out of our offices and moving into Reed Gilmore's
8 office space that he's not going to charge us anything
9 that's going to save us quite a bit of money. And two
10 we've let two other individuals go on top of that.

11 **Q. Who did you let go?**

12 A. We let go one of the field pumpers, Jed
13 then also one of the officer manager, or the other
14 Victoria Stitzel.

15 **Q. Okay.**

16 A. The sale -- and should Mr. Briscoe come through,
17 we can probably get into this later on post-deposition
18 - how do we -- how does this make sense on the
19 basis.

20 **Q. Right. My question is: Let's suppose**

21 Mr. Briscoe, the cautious gentleman that he is, for
22 reason decides not to purchase these assets. On the
23 the debtors have in the bank right now, how much longer
24 last on that cash?

25 A. We could last until the -- until the DIP is

1 but what we --

2 **Q. When is that?**

3 A. I want to say it's in early December I believe

4 -- that's a best guess, I think.

5 **Q. Okay. Early December?**

6 A. I think so. Yes, sir.

7 **Q. Okay.**

8 **MR. OLDHAM:** Is that fair?

9 **MS. SIMMONS:** You mean when the -- the
10 It is a 90-day DIP from the date of the first draw. I
11 know -- I don't know the exact date off the top of my head

12 **MR. OLDHAM:** Okay.

13 **MS. SIMMONS:** -- but -- but is when it matures.

14 **BY MR. OLDHAM:**

15 **Q. Okay. On your website, your presentation**
16 **the 43-page presentation that's on there, what is that**

17 A. That was for just kind of a -- a marketing
18 for the company on, you know, what assets do we have, what
19 we own, to -- to garner any sort of, you know, interest
20 people that were visiting the website that were -- that
21 noticed, you know, of -- of -- to our Chapter 1 filing.

22 **Q. Right. There's nothing in there that says the**
23 **company is in bankruptcy; right?**

24 A. No.

25 **Q. So how would anyone know that?**

1 A. I don't know the answer to that.

2 Q. Why does it say "Remnant Oil Company LP," and
3 goes on to say that "Remnant Oil Company LP is a Texas
4 Partnership."

5 A. That's incorrect.

6 Q. There's -- that entity doesn't exist; right?

7 A. No, sir.

8 Q. Okay.

9 A. My apologies. Yes.

10 Q. Okay. Remnant Oil Company Holdings, the Nevada
11 entity that was created in March of this year. What is

12 A. That was to be utilized on a strategy that we
13 working with with Baker Hughes with on a go public basis
14 was a, obviously, a Nevada Corp. that did not come to

15 Q. Okay.

16 A. So no assets, no operations.

17 Q. So it does nothing?

18 A. Yes, sir.

19 Q. Okay. Sante Fe resources. What's the
20 there?

21 A. It's -- I am -- WS Oil and Gas is the sole owner
22 that, and it has no assets, no operations.

23 Q. Okay.

24 MR. OLDHAM: I think we've gone for an hour.
25 take a 10-minute and reorganize.

1 **MS. HUNT:** Okay.

2 **THE REPORTER:** We're off the record.

3 **(WHEREUPON, a recess was taken.)**

4 **THE REPORTER:** We are on the record.

5 **BY MR. OLDHAM:**

6 **Q.** Okay. Mr. Gray, outside of the -- the CEO,
7 **the CEO of both entities?**

8 A. The title for CEO, the managing member for
9 Oil Operating, CEO for Remnant Oil Company.

10 **Q.** Okay. Aside from your roles in those two
11 **are you currently working for any other companies?**

12 A. No. Well, I take that -- I mean, I am doing
13 consulting. Pardon me. I am doing some consulting, yes.

14 **Q.** Okay.

15 A. But not as a full-time employee.

16 **Q.** I got you. What company have you consulted?

17 A. It's called Challenge Group.

18 **Q.** Okay. Is that a -- is it an oil and gas outfit?

19 A. They -- it's a marketing company. They market
20 minerals.

21 **Q.** And what do you do in it? Consulting what?

22 **MS. SIMMONS:** Objection. This stuff's all
23 the scope. I'll allow it for the -- you know, I -- I -- I
24 it. You're trying to get some -- get some of his
25 so I'll allow it, but if it goes too far off the -- off

1 track, I'll have to instruct him not to answer.

2 **MR. OLDHAM:** Okay.

3 **THE DEPONENT:** Just to make introductions to
4 in Midland.

5 **BY MR. OLDHAM:**

6 **Q.** Okay. And it's -- I think you said a side gig
7 side job?

8 **A.** Yes, sir.

9 **Q.** Okay. How long have you been doing that?

10 **A.** About two months, three months; not that long.

11 **Q.** Okay. Did you start before the petition date or
12 after?

13 **A.** You know, I've always kind of done consulting on
14 -- I mean, always since -- that's what WS was originally
15 from back in 2005.

16 **Q.** Okay.

17 **A.** So, but it's never been -- it's just kind of a
18 side thing. So I've helped out this one gentleman at
19 Group, just, you know, on and off for years.

20 **Q.** Okay. So is it a just a term commitment as
21 how long you're going to be consulting?

22 **A.** No, it's just a -- it's just kind of, like, hey,
23 here's a deal he's marketing, and he may market a deal
24 year, or maybe every three years.

25 **Q.** I got you. And --

1 A. And then -- and then, yeah. And that's --

2 **Q. So --**

3 A. -- that's who -- and that's who -- that's --

4 all who I'm --

5 **Q. The Challenge Group is based in Midland?**

6 A. In Houston.

7 **Q. In Houston.**

8 A. Yes, sir.

9 **Q. Okay. How are you compensated by Challenge**

10 A. Just a success fee.

11 **Q. Okay. So if you can't successfully sell**
12 **asset is, then that's it.**

13 A. If my introductions don't do -- right. Yes,

14 **Q. Fair enough. What's the time commitment for**
15 **versus the debtors?**

16 A. I pretty much do mostly on the weekend. I've
17 really swamped just, you know, obviously with the -- the
18 marketing process, with the production of documents and
19 that. So just on the weekends is kind of what I've been
20 with that.

21 I mean, I do some stuff after work, but I'm
22 say 95, 99 percent of my time is dedicated to Remnant Oil
23 Company to the -- to the debtors.

24 **Q. Okay. So 9 to 10-ish, or -- or it may vary**
25 **on the week, but --**

1 A. Yeah, all -- all my money is in the company. So
2 therefore I am highly vested to ensure a successful
3 this Chapter 11.

4 **Q. And what is a successful outcome in your mind?**

5 A. A reorganization around the North Square Lake
6 And a successful one in my mind is where the Court
7 -- everyone gets paid back including the monies that
8 and my partners have put in. That equals success.

9 **Q. Okay.**

10 A. I know it's not -- it may not -- I mean, and
11 not be immediate.

12 **Q. Okay.**

13 A. But you know, I do think, you know, speaking
14 everyone today, you know, on a positive note, has, you
15 brought some really good ideas to the forefront on how
16 manage the process moving forward with our -- with our
17 base.

18 And so, you know, that -- from -- I'm getting
19 positive from -- from the feedback thus far. So I
20 again it's not -- it's not going to happen tomorrow, but
21 meaning we're not -- meaning, you know, we're not --
22 step one is Mr. Briscoe. If that doesn't occur, then

23 We have the wind rights, you know, I think --
24 getting the idea of getting that appraised. Getting that
25 -- having a -- a renewable company that actually markets

1 renewables to do that, to -- to, I mean, so I think that's
2 that's a positive outcome. I know I'm kind of long-winded
3 that, I apologize, but --

4 **Q. You're good.**

5 A. -- you know, when you're kind of -- I mean,
6 highly revered of the company, you kind of get somewhat
7 emotional to it.

8 **Q. I got you. Why did you file bankruptcy?**

9 A. One of my partners, Reed Gilmore, again, Gilmore
10 and Gas was loaning money to -- to kind of keep us afloat,
11 unfortunately we were unable to come to terms and I think,
12 know, I disclosed that we were working with Baker
13 in a potential recapitalization, and unfortunately it just
14 didn't -- it wasn't able to -- to occur by no fault of
15 anyone's.

16 It's just, you know, it's just business. And
17 once that -- once that occurred, you know, Reed just said,
18 know, his liquidity somewhat dried up.

19 **Q. I got you. The assets located in West Texas,**
20 **you -- I believe you said you acquired those from Legacy**
21 **you've sold some or all of them?**

22 A. Right.

23 **Q. When -- when was that?**

24 A. 2016.

25 **Q. Okay. So they had been acquired from Legacy**

1 **first transaction.**

2 A. That's correct, yeah.

3 **Q. And you sold them to who?**

4 A. I believe we put all -- have you seen all the --
5 we've provided all those documents. Have you seen all
6 We put all the -- all the assignments and PSAs and -- I
7 know there's so much there.

8 **Q. No -- no, you're fine. I just -- I get to ask**
9 **questions today.**

10 A. Oh, yes, sir.

11 **Q. And again --**

12 A. My apologies.

13 **Q. No, you're good.**

14 A. Okay. Yes, we have 7S Oil and Gas, QP, Inc.,
15 Rock, Adcor and Robert Wash. I believe there are five.
16 may be one other one. I think those were -- there were

17 **Q. And they all were within 2016?**

18 A. Yes, sir.

19 **Q. Okay. And what's the time period? So if you**
20 **the assets I think you said in April 2016.**

21 A. We liquidated everything by the end of September
22 '16.

23 **Q. Okay. So it had to have been between April**
24 **September of '16.**

25 A. '16. Mm-hmm, correct.

1 **Q. Okay. And why did you sell that?**

2 A. We bought them specifically because of -- they
3 being over-operated, meaning the op ex was really high by
4 Legacy. And so by us just simply operating them, we
5 could increase the reserve value. So once we took that
6 we were easily, it was very easy to demonstrate that and
7 flip it because what we wanted to do was take that capital
8 then reinject it into our assets in New Mexico.

9 **Q. And did that happen?**

10 A. Yes.

11 **Q. How much did you sell those five for?**

12 A. There -- pardon me, real quick. There was a
13 one, that was McClure. Our sixth one. There's -- I knew
14 there's another one. McClure. I apologize.

15 **Q. Okay.**

16 A. 2.9 million.

17 **Q. Okay.**

18 A. To 7S Oil and Gas. McClure was around, I
19 half a million. Somewhere in there I think. Between
20 500. Robert Wash was 20,000. Adcor was, like, 57,000.
21 then the QP was, like, 56,000 and change. And White
22 like, 10.

23 **Q. Okay, 10 million?**

24 A. Oh, sorry. No, 10,000.

25 **Q. Okay. So about 3,000,000 and some change in**

1 A. A little over that, yes, sir.

2 **Q. Okay. And that 3,000,000 and change went where?**

3 A. We paid down the debt -- so we borrowed all --
4 paid \$1,900,000 for that from First. So we borrowed 100
5 percent of the acquisition price from First Capital Bank
6 that.

7 **Q. Okay, so --**

8 A. And then a large chunk of that went back to pay
9 --

10 **Q. So 1.9 million to pay back --**

11 A. Not all of it, but the vast majority of it did.

12 **Q. Okay. So 1.7-ish.**

13 A. Somewhere there. I -- I don't know. I don't
14 exact numbers, but --

15 **Q. I got you. We will say 1.6. Is it somewhere in**
16 **there?**

17 A. I -- I don't know the -- 100 percent --

18 **Q. Okay. Fair enough.**

19 A. -- the answer.

20 **Q. If you had the 1.9, it wasn't more than 1.9.**

21 A. That's correct.

22 **Q. Okay. And then the balance went where?**

23 A. We did also -- we paid a bunch of reworks
24 on the four waterfloods.

25 **Q. Okay.**

1 A. And then we also used some of that capital to
2 Caprock as well.

3 Q. To finance the purchase of the second -- the
4 purchase?

5 A. Yes. And also -- and also the North Square Lake
6 unit.

7 Q. Okay. I know you're set up to be a contractor/
8 consultant, whatever it shows on the budget that's being
9 proposed. Forgive my lack of knowledge of the common
10 How much are you paid on a monthly basis from the debtors?

11 A. Currently, 15,000 a month.

12 Q. Okay. And has that always been the case?

13 A. No, sir. Previously, it was \$25,000 per
14 that was approved by Reed.

15 Q. Okay. And that was for what time period?

16 A. Since inception. Since '16.

17 Q. Okay. So from '16 up through July of '19?

18 A. Correct.

19 Q. Okay. And was that made in the form of --
20 just a consulting payment?

21 A. Yes, sir, to WS Oil and Gas.

22 Q. Do you have a consulting contract with the

23 A. No, sir.

24 Q. Okay. Have you ever taken a dividend or
25 recently, a K1 from the debtors?

1 A. No. No one's ever had a distribution on a K1.

2 **Q. Okay.**

3 A. Or -- or a distribution, or taken capital out
4 equity standpoint.

5 **Q. Were you taking capital out?**

6 A. No.

7 **Q. Okay. Outside of the consulting contract and**
8 **15,000 a month, or previously 25,000 a month --**

9 A. Mm-hmm.

10 **Q. -- have you ever taken any other money out? And**
11 **don't mean expense reimbursements.**

12 A. Right.

13 **Q. But actual distribution or something.**

14 A. We did pay ourselves back something in early
15 from the sale of the -- the -- the Legacy assets.

16 **Q. That would be early '17?**

17 A. No, that would have been '16.

18 **Q. You held Legacy assets until April of '16.**

19 A. And we sold them in September of '16.

20 **Q. Right. So how could you pay yourself back in**
21 **2016?**

22 A. I mean, pardon me, late '16. Right. We had
23 had put some dollars in, but it -- we didn't -- it
24 whole lot. So it was just for payment of some loans
25 had made.

1 **Q. I got you. And that was late '16 early '17.**

2 A. No, it was -- it was in '16.

3 **Q. Okay. How do you remember the definitive**
4 **'16?**

5 A. Because I remember it was '16.

6 **Q. How much was that?**

7 A. I don't know the number.

8 **Q. How do you know it was '16?**

9 A. Because we closed in -- we got the last monies
10 7S in September and reimbursed ourselves -- not -- just a
11 portion of what was due. Just --

12 **Q. Okay.**

13 A. -- I think we put in, like, I don't know the
14 amounts, but it wasn't a substantial, it wasn't anything

15 **Q. Okay. What was the purpose of that?**

16 A. Just to recoup some of our -- you know, we had
17 -- we had turned a profit on that asset, and just to
18 some of that money. It was no return of equity or
19 that sort.

20 **Q. That's why people are in business; right? To**
21 **money.**

22 A. Yes, sir.

23 **Q. Nobody would fault you for that. I'm just**
24 **figure out generally speaking how much was it?**

25 A. I really -- I -- I -- I can't answer because I

1 -- I just don't -- I don't know the exact number. So any
2 figure I give you is -- is going to be inaccurate.

3 **Q. I got you. Okay.**

4 A. I'm not trying to be difficult. I'm just -- I
5 really, honestly --

6 **Q. That's --**

7 A. -- because the partners have put in different
8 amounts.

9 **Q. No, for sure.**

10 A. And so -- and I don't remember what -- I can
11 what I was paid.

12 **Q. What were you paid?**

13 A. I was paid \$130,000.

14 **Q. Okay. And that was late '16?**

15 A. That was late '16. I would -- I would say
16 or August of '16.

17 **Q. Okay. Do you think it was more or less for**
18 **and Stitzel?**

19 A. Oh, it would be either the same or less.

20 **Q. Okay. Are Gilmore and Stitzel both still**
21 **or consultants of the debtors?**

22 A. Yes, sir.

23 **Q. Have they both been paid as consultants for the**
24 **debtors?**

25 A. Mr. -- Bob is. Mr. Stitzel is. And Reed is

1 Reed does not take a salary.

2 **Q. Okay. Why is that?**

3 A. He -- he does work for -- he's got a family -- a
4 private family office and so he spends maybe about 50
5 of his time at Remnant.

6 **Q. Okay.**

7 A. And so he wants Remnant to succeed so
8 doesn't want to burden -- be burdensome.

9 **Q. I got you. Was he ever getting a salary?**

10 A. No, sir.

11 **Q. I got you. Does he actually do work for the**

12 A. Yes, sir.

13 **Q. He does. Outside of -- what is the consulting**
14 **entity, or the entity that you consult occasionally in**

15 A. WS Oil and Gas is who --

16 **Q. Right. But you currently work with -- I**
17 **name.**

18 A. Oh, Challenge Group?

19 **Q. Yeah.**

20 A. Yes, sir.

21 **Q. Outside of that, are there any other entities or**
22 **other work that you do?**

23 A. I did one. I had a -- a small engagement just
24 a model together for someone in Midland.

25 **Q. When was that?**

1 A. That was probably three or four months ago.

2 Q. Okay.

3 A. That was a week -- it's like a weekend. It's
4 like a weekend assignment.

5 Q. And would that be considered similar to the
6 consulting gig?

7 A. It was just kind of a -- yes, very similar,

8 Q. Okay. And do you remember who the group was?

9 A. The Hanging H Ranch.

10 Q. Okay. Were you paid for the work you did?

11 A. Yes, sir.

12 Q. How much?

13 A. \$10,000.

14 MR. OLDHAM: Let me see if I've gone through all
15 exhibits real quick.

16 BY MR. OLDHAM:

17 Q. I only have one copy of these and frankly I
18 know if they're important enough to go make copies. First
19 going to hand you --

20 MR. OLDHAM: What are we up to?

21 THE REPORTER: 6.

22 BY MR. OLDHAM:

23 Q. Exhibit 6 is going to be ROC-778 through ROC-
24 just so we're clear on the record, the highlighting on
25 is purchase price. That wasn't there when the document

1 **produced. Do you see the sentences that I have**

2 A. Yes, sir.

3 **THE REPORTER:** Do you want to mark -- do you
4 mark that?

5 **MR. OLDHAM:** Yes, please.

6 **(WHEREUPON, Exhibit 6 was marked for**
7 **BY MR. OLDHAM:**

8 **Q. Let me not get ahead of myself. Do you**
9 **document?**

10 A. Oh, absolutely.

11 **Q. What is that?**

12 A. It was a letter of intent to purchase the
13 from Trinity Midstream that's -- and they're backed by

14 **Q. Okay. So Trinity Midstream made an offer to**
15 **the pipeline with -- within the realm of Caprock assets?**

16 A. Yes, sir.

17 **Q. Okay. So they just wanted to purchase that one**
18 **piece?**

19 A. Well, contingent on --

20 **Q. Take-or-pay.**

21 A. Contingent on take-or-pay.

22 **Q. I got you.**

23 A. Well, yeah, basically because they were
24 with us taking what they call an MDQ, Minimum Daily

25 **Q. What -- the take-or-pay?**

1 A. Yes, sir, yeah.

2 **THE REPORTER:** What was that?

3 **MR. OLDHAM:** The take-or-pay part.

4 **THE REPORTER:** Thank you.

5 **BY MR. OLDHAM:**

6 **Q. When did they make that offer?**

7 A. That was in April of -- April 20th, 2018.

8 **Q. Okay. And the -- the offer was for the pipeline**
9 **the take-or-pay portion of that contract; right?**

10 A. It was for us to enter into a new contract
11 correct.

12 **Q. And what was the consideration being offered?**

13 A. For \$5,000,000.

14 **Q. Okay. You didn't do that deal; right?**

15 A. We did not do the deal.

16 **Q. Okay. Why is that?**

17 A. Because they pulled the deal.

18 **Q. They pulled it? What does that mean?**

19 A. They -- they, basically, said due to our
20 situation -- they requested our financials. They felt
21 could not pay for the MDQs and they did not feel
22 and then having stuck with a pipeline with an operator who
23 couldn't pay for the quantities that they were making. So
24 pulled it.

25 **Q. Understanding the financials were where they**

1 **not approved by Trinity --**

2 A. Right.

3 **Q. -- did Remnant or did the debtors have the**
4 **to perform under the MDQ?**

5 A. We felt that we did and we tried to convince
6 Midstream and their equity buyers that we did.

7 **Q. Were you actually producing at that point enough**
8 **meet the MDQ?**

9 A. No, no, no. We -- we weren't taking any --
10 whatsoever.

11 **Q. I got you.**

12 A. What they were concerned about is if we had a
13 new contract on day 1, and what we had negotiated was it
14 be a six-month delay. So what they would do is they would
15 the debtors \$5,000,000 for the pipeline. We then would go
16 put those dollars into reworking the Rock Queen unit.

17 **Q. I got you.**

18 A. Then, in month seven, then that's when the --
19 when the, us taking new CO2 would begin.

20 **Q. I got you.**

21 A. Oh, and then -- pardon me. Do -- do you mind if
22 add something else, please?

23 **Q. Please do.**

24 A. And then one of the other conditions was that
25 wanted us to personally guarantee the \$5,000,000 for

1 -- if we messed up, like, if he couldn't -- if we,
2 you know, for whatever reason we're financially insolvent.

3 **Q. I got you. It wasn't a loan though; right?**

4 --

5 A. No, it was not -- yeah, it was an outright

6 **Q. So how could you guarantee?**

7 A. That's what our question was. That was our --
8 was what our question was to them. Because originally
9 negotiated that, that was never part of the deal.

10 They just wanted -- so what their issues were
11 Okay, we're going to buy your pipeline, six months down
12 road oil goes to 20 and that happens, you can't -- you
13 pay for the gas. We don't want your pipeline then. So
14 therefore you're going to pay us back for the pipeline.
15 was -- that's how they changed the deal on us.

16 **Q. I got you. So it was a different deal than**
17 **there was just additional guarantees that are not, still**

18 A. There were additional guarantees that were not
19 of this. They were not subject in this, in this
20 document.

21 **Q. Okay. I'm not trying to make a bigger deal**

22 --

23 A. Yes, sir.

24 **Q. -- than it is. I thought you said that they**
25 **ones that backed out after they saw your financials.**

1 **I'm hearing you say is you were not interested in the deal**
2 **they brought in additional terms.**

3 A. Oh, no, no, no. We -- one was --

4 **Q. Do you understand the two points of what I'm**

5 A. Yes. What you're saying is -- to clarify what
6 asking was: Okay, you didn't -- you liked the deal
7 but when they came in to -- and said, okay, we want you to
8 a personal guarantee on this, that's when we backed
9 that -- is that the -- is that --

10 **Q. I thought your testimony earlier was that**
11 **took a look at the financials of the debtors and pulled**
12 **They said, no, thank you.**

13 **What I thought you just said was that the**
14 **were not interested in the deal it was offered by Trinity.**
15 **other words, the debtors terminated it as opposed to**
16 **Midstream terminated it.**

17 A. Oh, no. No, what happened was Trinity Midstream
18 terminated it.

19 **Q. Okay.**

20 A. We were pushing forward, forward and even
21 lower the price on the pipeline to make it work.

22 **Q. Okay. Is Sarah Hughes Gray still the owner of**
23 **and Gas Limited?**

24 A. Yes, she is. Yes, sir.

25 **Q. Okay. What is her ownership interest?**

1 A. I believe she still owns 50 percent as of today.

2 **Q. Okay. You made the distinction "as of today."**

3 A. I believe -- I believe she still owns it, yeah.

4 **Q. Okay. It hasn't recently changed; has it?**

5 A. I -- I thought during our mediation I -- I
6 her from that and but it's all been a blur because she
7 -- and again this is just the most -- my -- myself and her
8 she still claims that she has it. And I don't know what
9 record with the State --

10 **Q. I got you.**

11 A. -- of ownership documents of WS Oil and Gas. I
12 couldn't tell you.

13 **Q. Okay. The 15,000 a month that you're paid**
14 **debtors.**

15 A. Mm-hmm.

16 **Q. I believe you testified at the beginning of**
17 **that it was paid to WS Oil and Gas Limited and then to**
18 **that correct?**

19 A. That's correct. Right.

20 **Q. Okay. Does half of it go to Sarah Hughes Gray?**

21 A. Since we're not divorced yet, we still share a
22 checking account, and, and act as if we're just -- but
23 two separate houses.

24 **Q. Fair enough. So is that a yes?**

25 A. Can I talk to my counsel for a second?

1 Q. I -- I -- I'd like an answer to the question.

2 MS. SIMMONS: Can you repeat the question?

3 BY MR. OLDHAM:

4 Q. Of the 15,000 that is paid monthly to WS Oil and
5 Limited, does 50 percent of that go to Sarah Hughes Gray?

6 A. I don't know what percentage goes to her.
7 whatever she spends. I mean, I would say, it's safe to
8 -- she can claim -- it just varies monthly.

9 Q. Okay. She has a 50 percent ownership interest
10 Oil and Gas Limited; correct?

11 A. Yes.

12 Q. Okay. And the money that is paid to WS Oil
13 Limited from the debtors for your -- for the debtors
14 a joint account --

15 A. Right.

16 Q. -- that she has access to.

17 A. That's correct.

18 Q. Some or all of it, depending on the month, she
19 spends.

20 A. Correct.

21 Q. Okay. She doesn't currently do work for the
22 does she?

23 A. Does not. No.

24 Q. Okay.

25 MR. OLDHAM: This is going to be Exhibit 7, 7.

1 (WHEREUPON, Exhibit 7 was marked for

2 BY MR. OLDHAM:

3 Q. Bates No. ROC-3287 through 3291. And so that we
4 a clear record, ROC-3290, I've highlighted several
5 That's mine -- that was done by me. That wasn't
6 that. So --

7 A. Mm-hmm.

8 Q. Mr. Gray, if you'll take a second to familiarize
9 yourself with the document? Let me know when you're

10 A. Sure.

11 COUNSEL: Okay.

12 THE DEPONENT: Yes, sir.

13 BY MR. OLDHAM:

14 Q. Do you recognize the document?

15 A. Yes, I do.

16 Q. What is that?

17 A. That was an email to York Capital.

18 Q. Okay. And the email was from you?

19 A. Yes, it was.

20 Q. And can you read the highlighted portion for us?

21 A. "We greatly appreciate your time spent to
22 do not think you will be able to get to a price we feel
23 be commensurate with the value of our wind right. I do
24 know if you have ever invested \$8,000,000 of your own
25 into a venture, but I can ensure you that we will credit

1 these assets before we give them away."

2 **Q. When did you send that?**

3 A. If I look in here there's a page 329. It's
4 be on September 13th.

5 **Q. Okay.**

6 A. It was probably September 12th.

7 **Q. Okay. What did you mean when you said "We will**
8 **credit bid on the assets"?**

9 A. That they were -- went to market, that I --
10 -- we could actually bid on it if we're allowed to. I
11 know the bankruptcy process. Maybe I -- maybe I can't. I
12 don't know.

13 **Q. Okay. And it's not for me to say one way or**
14 **I'm just asking you: When you said the words "We will**
15 **bid on the assets," what did you mean?**

16 A. Meaning that we would rather us buy those than
17 give them away.

18 **Q. And your comment on "us" or "we" is speaking**
19 **whom?**

20 A. Gilmore Oil and Gas. Reed Gilmore, and Bob
21 RS Resources, and myself WS Oil and Gas.

22 **Q. Okay. Credit bid -- where would you come up**
23 **money to credit bid on those assets?**

24 A. Through Reed, Mr. Gilmore.

25 **Q. Okay. At this point, how much outstanding**

1 **owed between the three of you?**

2 A. As previously stated, I believe 7,000,000 to Mr.
3 Gilmore, a million to myself, and I believe I think I said
4 60,000 to -- to Mr. Stitzel.

5 **Q. Okay. Is that bid secured by the assets of the**
6 **debtors?**

7 A. Oh, pardon me. And 350 on top of that for
8 Mr. Gilmore for his DIP.

9 **Q. The DIP? I got you.**

10 A. The only thing that's secured is -- through
11 is the water rights.

12 **Q. But outside of that, any other secured**
13 **any of the debtors' assets?**

14 A. No, sir.

15 **Q. Okay. In your mind, what would a credit bid**
16 **assets be?**

17 A. It would be more than 100,000.

18 **Q. Okay. So the bottom is 100,000, what is the**

19 A. What we put in there that they're worth 4. I
20 know if we had paid 4 for them, but -- because we're not
21 renewable individuals. But I could see where probably
22 1,500,000 to 2,000,000 would be a good purchase price.

23 **Q. Do you have 1,500,000 to 2,000,000 to credit bid**
24 **those assets?**

25 A. I do not. No.

1 **Q. Okay. Does Reed Gilmore?**

2 A. I would have to ask Mr. Gilmore. I cannot say
3 sure.

4 **Q. Okay. All right. I'm going to hand you what**
5 **produced as ROC-292 through ROC-310.**

6 **(WHEREUPON, Exhibit 8 was marked for**
7 **BY MR. OLDHAM:**

8 **Q. This is the June Investor Presentation from June**
9 **2019.**

10 A. Okay.

11 **Q. Do we have an exhibit number on there?**

12 A. Yeah. Okay, yes, sir.

13 **Q. I flagged a page number, page 9.**

14 A. Correct.

15 **Q. What is that?**

16 A. It was a recapitalization executive summary that
17 we're -- we were trying to raise \$6,000,000 of equity.

18 **Q. Okay. That was June of '19. Did you prepare**
19 **for someone in particular?**

20 A. Just for a number of investors. One, we did
21 did two conferences to try to raise capital and then
22 private investors.

23 **Q. Okay. Did you actually raise any capital?**

24 A. We had some commitments, but it was all -- it
25 contingent on the banker coming in.

1 **Q. Okay.**

2 A. And, unfortunately, I think -- as mentioned
3 previously, just unfortunately, it just didn't happen.

4 **Q. I got you. Was the goal or the thought to put**
5 **together some type of Regulation D fund?**

6 A. Yes, it was.

7 **Q. Okay. Did you actually have the limited**
8 **documents drafted?**

9 A. I think we got up to the term sheet, but I don't
10 cannot recall if -- I'd have to go back through and look
11 have -- had that. I know we had the term sheet.

12 **Q. Okay. How about a private placement memorandum.**

13 A. I don't think I had one. I'll have to double-

14 **Q. Okay. When you went to these two conferences --**

15 A. Right.

16 **Q. -- they were fairly expensive; correct? Is that**
17 **many -- do you know remember how much they were. Did**
18 **at any of these events?**

19 A. Yes, sir. One was \$7,500 and the other was, I
20 believe 7,000.

21 **Q. Okay. So from 14, 15,000.**

22 A. Mm-hmm.

23 **Q. And however much it cost to put together**
24 **materials.**

25 **COUNSEL:** You're shaking your head.

1 **BY MR. OLDHAM:**

2 **Q. Did you --**

3 **COUNSEL:** Is that a yes?

4 **BY MR. OLDHAM:**

5 **Q. Did you --**

6 **MR. OLDHAM:** I haven't asked the question. I
7 finished the question.

8 **COUNSEL:** Oh, I'm sorry.

9 **BY MR. OLDHAM:**

10 **Q. You didn't raise any dollars from this; correct?**

11 **A. Correct.**

12 **MR. OLDHAM:** In the interest of time, we will
13 the witness. I might have a few follow ups, but it's --

14 **MR. HAMM:** Thank you.

15 **EXAMINATION**

16 **BY MR. HAMM:**

17 **Q. Mr. Gray, Blake Hamm, here for Baker Petrolite**
18 **Baker Hughes Oil Field Operations.**

19 **A. Yes, sir.**

20 **Q. We talked a little bit about the Remnant**
21 **Remnant Oil Company and Remnant Oil Operating, Inc.,**
22 **2016; do you remember that?**

23 **A. Yes, sir.**

24 **Q. Okay. Did you -- could you go into a little**
25 **detail and explain how these -- who formed these**

1 **whose idea was it, and -- and how they were formed?**

2 A. Sure. Actually, Remnant Oil Operating was
3 WS Oil and Gas Operated and that was formed in October

4 **Q. Okay.**

5 A. And I -- and I purchased the initial well set
6 WS Oil and Gas in 2015.

7 **Q. Okay. And those were the three other**

8 A. Yes, sir, and a handful of the others.

9 **Q. Right. So WS Oil and Gas, LTD, is that right?**

10 A. Limited.

11 **Q. Limited.**

12 A. It's limited, yes.

13 **Q. WS Oil and Gas Limited purchased that initial**
14 **assets in 2015.**

15 A. '15, October of 2015.

16 **Q. Okay. And -- and how did that go from WS Oil**
17 **Properties to Remnant Oil Properties?**

18 A. So both Gilmore Oil and Gas and RS Resources
19 purchased an interest, an equal interest in that -- in
20 those -- in those specific wells, and then we
21 wells into Remnant Oil Company.

22 **Q. And how much did WS Oil and Gas initially pay**
23 **these assets, these initial assets?**

24 A. I paid \$100,000.

25 **Q. And how much did Gilmore and RS pay WS for their**

1 **number of shares?**

2 A. They paid -- it was cash and a note is how
3 it.

4 **Q. But how much?**

5 A. Oh, how much. Okay. Stitzel was \$200,000
6 \$400,000 note, and Reed was -- pardon me, Mr. Gilmore,
7 Gilmore Oil and Gas I want to say -- I mean, let me
8 -- I want to say paid -- I want to say 200 cash and 200 in
9 note. But how that -- how it transpired was just to
10 little how -- background how it happened is WS Oil and Gas
11 bought the wells. RS Resources came in and bought half,
12 percent of those wells, thus the higher valuation.

13 Then, Gilmore came in and bought half of what we
14 owned. So then he paid Bob as well on -- Mr. Stitzel
15 on what he owned.

16 **Q. So that RS payment was 200 cash to WS Oil and**
17 **plus a \$400,000 note to WS O and G.**

18 A. Right. But what they did rather than giving the
19 is that they contributed the money -- the monies to -- to
20 Remnant Oil Company and gave us some cash.

21 **Q. Okay.**

22 A. I didn't want to take all the cash and then the
23 company has got assets with no cash.

24 **Q. Okay.**

25 A. Because that's why I took a deferred payment.

1 Q. So the notes were owed to WS.

2 A. No, the notes were owed -- the notes were owed
3 from RS Resources.

4 Q. Mm-hmm.

5 A. But then RS Resources had a note from Remnant
6 Company.

7 Q. Okay. I'm going to have to work that out in
8 It seems more complicated --

9 A. Yes, sir.

10 Q. So after this initial 2016 transaction?

11 A. That occurred, I believe, in January of '16,
12 sir. I believe Stitzel -- pardon me, Stitzel bought
13 want to say maybe December of '15 and then Mr. Gilmore
14 -- in early, like, new year, January 2nd or 3rd.

15 Q. And then when was Remnant Oil Company formed?

16 A. Officially formed mid -- I mean, I would say
17 January 9th and 18th, sometime -- of '16.

18 Q. Okay. And --

19 A. And then WS -- I'm sorry, sir.

20 Q. And so is it correct when that was formed, WS
21 Gas, R Gas and Gilmore Oil -- Oil and Gas each contributed
22 their one-third ownership in this additional set of
23 to Remnant --

24 A. That's correct.

25 Q. -- Oil Company.

1 A. Correct.

2 Q. Okay. And about \$400,000 then went in the
3 Oil Company as well; is that right?

4 A. There is that amount, and then Bob, also --
5 Stitzel also took a deferred payment and Reed put in
6 or something like that of capital to capitalize the

7 Q. So are there any loan agreements between Remnant
8 Company and any of its owners?

9 A. Yes, sir.

10 Q. Okay. And what are those?

11 A. Those are -- those were the original loan
12 that were just formed whenever the loans were made in
13 of '16.

14 Q. And how many are there?

15 A. There's one to Mr. Gilmore and one to -- to
16 upon that initial transaction.

17 Q. Okay. And is that between Remnant Oil Company
18 Gilmore Oil and Gas?

19 A. Gilmore Oil and Gas and RS Resources.

20 Q. And one between Remnant Oil Company and RS --

21 A. Resources --

22 Q. -- Resources.

23 A. -- Limited. Yes, sir.

24 Q. And copies of those documents exist?

25 A. Yes, sir.

1 Q. And were -- those were January 2016 documents?

2 A. Yes, sir.

3 Q. And under the Gilmore Oil and Gas, Remnant Oil
4 Agreement, how much is owed to Gilmore Oil and Gas?

5 A. Off the top of my head, I -- I don't know.

6 Q. Approximately?

7 A. Oh, let's say 700,000, somewhere around there;
8 600,000.

9 Q. Okay. And approximately under the January
10 agreement between Remnant Oil Company and RS Resources,
11 much does Remnant Oil Company owe to RS Resources?

12 A. It was 400,000.

13 Q. Are those loans paid or do they remain unpaid?

14 A. They remain unpaid.

15 Q. Are there any other loans agreements between
16 Oil Company and any of its owners?

17 A. Yes, there are.

18 Q. Okay. What are those?

19 A. Those are subsequent loans that have been made
20 company since the formation and approximately 7,000,000 of
21 is to -- is documented with Gilmore Oil and Gas.

22 Q. How is that documented?

23 A. In a promissory note.

24 Q. What's the date of that promissory note?

25 A. Sometime -- I want to say in '19 -- we -- we

1 just haven't formalized everything.

2 **Q. When in '19?**

3 A. I can't state specifically.

4 **Q. Pre- or post-bankruptcy?**

5 A. Pre.

6 **Q. Approximately how long before bankruptcy?**

7 A. I can't state with 100 percent accuracy. It was
8 pre -- it was pre-filing.

9 **Q. Who maintains a copy of this \$7,000,000**
10 **note?**

11 A. We all three have copies of it, and then our
12 corporate counsel has it as well.

13 **Q. Who's your corporate counsel?**

14 A. Abbey Sikes from Sikes -- Rendall Sikes.

15 **Q. Who drafted this promissory note?**

16 A. Rendall Sikes I believe. It was -- it was -- it
17 based on the we used, I want to say, on the very first

18 **Q. When Did Mr. Gilmore or Gilmore Oil and Gas, I**
19 **assume, pay the \$7,000,000 to Remnant Oil Company?**

20 A. It was over a period since 2016 all the way up
21 through pre-petition.

22 **Q. Has Remnant Oil Company ever made any payments**
23 **to Gilmore Oil and Gas on account of these what you're**
24 **characterizing as loans?**

25 A. Right. As I stated previously, we did a -- we

1 contributed some additional capital on top of that. I
2 know the exact amounts but it was -- it was -- it was when
3 divested of the Texas assets in September of '16, and I
4 we all -- I -- I know I was like 120 to 130, and I think
5 Gilmore is about the same. Other than that, he has not
6 repaid. But that was -- but that's because he had, he put
7 additional dollars in as well.

8 **Q. Are there any loans owed to WS Oil and Gas?**

9 A. Yes, sir, there are.

10 **Q. Okay, and what's that loan?**

11 A. That's around approximately -- I assumed the
12 from RS Resources.

13 **Q. When you say you, you mean WS Oil and Gas?**

14 A. Yes, sir.

15 **Q. Okay. We need to be careful --**

16 A. Okay.

17 **Q. -- about using the correct terminology.**

18 A. Yes, sir.

19 **Q. Because of problems like that. So WS Oil and**
20 **say assumed the note that Remnant Oil owed to RS Resources**

21 A. That's correct.

22 **Q. -- is that right? So instead of Remnant Oil**
23 **owing RS Resources 400,000, it's your position that**
24 **Company owes WS Oil and Gas 400,000 --**

25 A. That's correct.

1 **Q. -- is that right? Are there any other loans**
2 **Remnant Oil Company owes to its owners that we haven't yet**
3 **discussed?**

4 A. I put in -- WS Oil and Gas put in an additional
5 approximately half a million dollars, 525 during -- during
6 time as well.

7 **Q. During what time?**

8 A. During the time period between 2016 and 2018.

9 **Q. Okay. Is -- is there a loan agreement, or a**
10 **promissory note --**

11 A. Yes, sir, a promissory note.

12 **Q. -- related to that?**

13 A. Yes, sir.

14 **Q. Okay. And when was that promissory note**

15 A. Around the same time when Mr. -- Mr. -- when
16 Oil and Gas's was drafted to -- just to finalize

17 **Q. And Mr. Sikes drafted that as well?**

18 A. Ms. Sikes.

19 **Q. Ms. Sikes.**

20 A. Yes, sir.

21 **Q. Rendall is -- is a female?**

22 A. Rendall Sikes. Abby Sikes is the --

23 **Q. Abby Sikes.**

24 A. Yes, sir.

25 **Q. Rendall Sikes is the law firm?**

1 A. Yes, sir.

2 **Q. Do you know who -- and it's Abby Sikes; right?**

3 A. I believe she drafted it. Mr. Gilmore handled
4 drafting of the -- of the notes.

5 **Q. Mr. Gilmore is an attorney; right?**

6 A. Yes, sir. Not a practicing attorney.

7 **Q. But he was for a long time based on his**
8 **your website; right?**

9 A. Oh, yeah. He was --

10 **Q. Okay.**

11 A. Yes, sir.

12 **Q. Corporate counsel for Cabela's.**

13 A. Yes, that's correct.

14 **Q. Land attorney for major oil companies.**

15 A. Yes, sir.

16 **Q. But as we sit here today, you can't tell me when**
17 **these promissory notes were drafted?**

18 A. I want to say --

19 **Q. Or executed.**

20 A. Executed? I cannot give an exact -- I know in
21 I can't -- I just can't give an exact date.

22 **Q. So I want to talk a little bit about the**
23 **between Remnant Operating and Remnant Oil Company.**
24 **general terms, is it correct that Remnant Oil Company owns**
25 **working interests in the oil and gas properties and**

1 **Operating operates those working interests.**

2 A. That's correct.

3 **Q. Is there any type of operating agreement between**

4 **Remnant Operating and Remnant Oil Company?**

5 A. There is not.

6 **Q. Does Remnant Operating only operate properties**

7 **by Remnant Oil Company?**

8 A. Yes, sir.

9 **Q. Are there any other nonoperating working**
10 **owners besides Remnant Oil Company and Properties operated**
11 **Remnant Operating?**

12 A. There are.

13 **Q. And who are those?**

14 A. There's a number of them.

15 **Q. Too many to remember?**

16 A. Too many. Yes, sir. Yeah. But -- and the --
17 they're not --

18 **Q. Is --**

19 A. -- they're not large numbers. It's a lot of
20 decimal interests.

21 **Q. Right because Remnant Oil Company owns the large**
22 **majority of the working interest.**

23 A. Like 97 percent average working interest owner
24 approximately.

25 **MR. OLDHAM:** I thought, I thought you said the

1 gentleman made a \$6,000,000 request for an offer owned 5
2 percent?

3 **THE DEPONENT:** That's a royalty.

4 **MR. HAMM:** 5 percent of royalties.

5 **MR. OLDHAM:** I thought you said you were talking
6 about --

7 **MR. HAMM:** Is it royalty or an override?

8 **THE DEPONENT:** It's -- well, it's royalties and
9 override, depending on that, yeah. Override.

10 **MR. OLDHAM:** Okay.

11 **BY MR. HAMM:**

12 **Q. An overriding royalty.**

13 A. Yes, sir.

14 **Q. So he just gets checks.**

15 A. That's all he does. Mailbox money. Yes, sir.

16 **Q. Does Remnant -- is Remnant operating a party**
17 **joint operating --**

18 A. Just the -- just the JOAs that we have is our
19 partners.

20 **Q. Okay. So Remnant Operating is a party to JOAs**
21 **non-operating working interest owners besides Remnant Oil?**

22 A. Yes, sir. So we -- we assumed the JOAs from the
23 individuals that had -- that had -- that had non-op
24 owners.

25 **Q. Who assumed the JOAs?**

1 A. Remnant Oil Operating.

2 Q. Regardless, Remnant Oil Company is, you said,
3 97 percent working interest owner across the board;

4 A. Maybe a little bit higher. Somewhere around
5 Yes, sir.

6 Q. All right. So does Remnant Oil Operating JIB
7 Oil Company?

8 A. It does not. No.

9 Q. Why not?

10 A. We just have never done it that way on
11 purposes.

12 Q. How does Remnant Oil Operating know how much
13 for -- I'm sorry, how much -- how does Remnant -- if there
14 no JIBS --

15 A. Right.

16 Q. -- how does Remnant Oil Company know how much it
17 for lease operating expenses?

18 A. We just basically transfer the money over,
19 necessary from Remnant Oil Company to Remnant Oil

20 Q. But it's Remnant Operating that contracts with
21 vendors and do the work out on the leases; correct?

22 A. That's correct. Yes, sir.

23 Q. And who makes the decision on how much to pay
24 them and operating for its leased operating expenses at
25 Oil.

1 A. Do -- do what, sir?

2 Q. At Remnant Oil, who from Remnant Oil makes the
3 decision on how much money the operating company is
4 get.

5 A. Oh, it's just -- it's at cost.

6 Q. I want to go back for a minute and talk about
7 the ownership interest. Is it a correct statement that WS
8 and Gas Limited, RS --

9 A. Resources --

10 Q. -- Resources --

11 A. -- Limited.

12 Q. -- Limited, and Gilmore Oil and Gas Limited each
13 a 33 percent interest in Remnant Oil?

14 A. Remnant Oil Company and then we need to add,
15 interest which is WS Oil and Gas, and you'll need to
16 that in half for Sarah R. Gray.

17 Q. When was that divided in half?

18 A. Probably about a year and three months ago,
19 around there.

20 Q. Okay.

21 A. There's documentation on that.

22 Q. So First Gray Corporation is the general partner
23 WS Oil and Gas; right?

24 A. Correct.

25 Q. And does WS Oil and Gas do its own taxes?

1 A. Yeah, yes.

2 **Q. And who does -- who does those taxes?**

3 A. Dutton, Harris and Associates.

4 **Q. Does WS Oil and Gas take deductions for the**
5 **money that it contributes to Remnant Oil?**

6 A. We just take -- we get our KIs and that's what
7 take our deduction from.

8 **Q. And why is it allowed those deductions?**

9 A. That's a CPA question.

10 **MS. SIMMONS:** Objection.

11 **BY MR. HAMM:**

12 **Q. Do you know?**

13 A. I don't know. Just -- my CPA.

14 **Q. And who's your CPA?**

15 A. Dutton, Harris and Associates.

16 **Q. Where is Dutton, Harris and Associates located?**

17 A. Midland, Texas.

18 **Q. Does Dutton, Harris and Associates also handle**
19 **Remnant Oil's taxes?**

20 A. No, sir.

21 **Q. Who does that?**

22 A. Albeck Financial Services out of Houston, Texas.

23 **Q. What percentage of interest does First Gray**
24 **Corporation own in WS Oil and Gas as its general partner?**

25 A. Yeah, it's -- it's in the file. I apologize. I

1 it's in the SoFAs. We -- we list it in there. I
2 Off the top of my head, I just -- whatever the typical
3 structure is. It's -- it's either about 1 percent or -- I
4 apologize. I --

5 **Q. Who are the other partners in WS Oil and Gas?**

6 A. Oh, myself and -- myself which is E. Willard
7 Sarah Gray.

8 **Q. So the partners in WS Oil and Gas are First Gray**
9 **Corporation, yourself, and Sarah Gray.**

10 A. Yes, sir.

11 **Q. Okay. And are you and Sarah Gray limited**
12 **WS Oil and Gas?**

13 A. Yes, sir.

14 **Q. Is there a partnership agreement for WS Oil**

15 A. Yes, there is. Yes, sir.

16 **Q. Who maintains that?**

17 A. I do.

18 **Q. And is there a company agreement for Remnant Oil**
19 **Company?**

20 A. There is. Yes, sir.

21 **Q. And do you have a copy of that as well?**

22 A. Yes, sir.

23 **Q. And is there, likewise, a company agreement for**
24 **Remnant Operating?**

25 A. Yes, sir.

1 Q. Okay. And you would also have a copy of that?

2 A. Yes, sir.

3 MR. BRINKMAN: Can you -- can you provide copies
4 that?

5 THE DEPONENT: Sure.

6 MS. SIMMONS: I'll add it to the list of
7 like us to supplement.

8 MR. BRINKMAN: Okay.

9 MS. SIMMONS: Yes.

10 BY MR. HAMM:

11 Q. Did Remnant Oil Company hold board meetings?

12 A. It had meetings. I don't think we've had
13 board meetings.

14 Q. Okay. Same question for Remnant Operating.

15 A. Same answer. We've had meetings but never an
16 official annual meeting.

17 Q. So are there minutes, meeting minutes related to
18 operation of either company?

19 A. There are -- there are some official minutes,

20 Q. Okay. Who has those?

21 A. We -- all the partners have copies of those that
22 can produce.

23 Q. Okay. Thank you.

24 A. Yes, sir.

25 Q. If you could, I'd appreciate that. Have you

1 **heard of a person or a company called Tripp Wommack?**

2 A. Tripp Wommack.

3 **Q. Tripp Wommack.**

4 A. Yes, sir.

5 **Q. Who's -- who's that?**

6 A. Tripp Wommack.

7 **Q. Who is Tripp Wommack?**

8 A. Tripp Wommack is an individual in Midland,
9 who's a well-known oil and gas individual.

10 **Q. Does Mr. Wommack have any association with**
11 **Oil Company?**

12 A. No, sir.

13 **Q. Or Remnant Operating?**

14 A. None. No, sir.

15 **Q. Have you heard from American Standard since the**
16 **bankruptcy was filed?**

17 A. Yes, sir.

18 **Q. Okay. And what has been the discussions with**
19 **American Standard?**

20 A. Trying to get them to come in to do some sort of
21 merger prior to the bid date on Monday. The last time I
22 communication with American Standard was Friday at 3:00
23 o'clock.

24 **Q. Friday at 3:00 o'clock.**

25 A. Yeah.

1 **Q. What were those conversations on Friday at 3:00**
2 **o'clock?**

3 A. It was the essentially the managing individual
4 pushing to try to -- I don't know what the offer was,
5 get his -- their financial backer Pentwater Capital to
6 him to submit a bid.

7 **Q. And who's the managing member you're talking**
8 **American Standard?**

9 A. Steve Person, P-e-r-s-o-n.

10 **Q. Did the debtors receive a bid from Mr. Person?**

11 A. No, sir, we did not.

12 **Q. Have you ever done business with Mr. Person**

13 A. No, sir, I have not.

14 **Q. Aside from what we've talked about in this**
15 **deposition?**

16 A. Right. No, sir. No, have not. Nor with
17 Mr. Wommack.

18 **Q. You talked about consulting fees that the debtor**
19 **would pay to WS Oil and Gas before; right?**

20 A. Yes, sir.

21 **Q. Did those payments go to WS Oil and Gas or did**
22 **go to you?**

23 A. They went to WS Oil and Gas.

24 **Q. And RS Resources also --**

25 A. Yes, sir.

1 Q. -- received consulting payments; right?

2 A. Yes, sir.

3 Q. And those payments went to RS Resources or

4 Mr. Stitzel?

5 A. RS Resources.

6 Q. And you may have already done this but I
7 it down. If you could state your position with each of
8 companies?

9 A. Sure. The title is CEO of Remnant Oil
10 and just managing member of Remnant Oil Operating, LLC.

11 Q. Okay. Can we just go quickly through the
12 debts against Remnant Oil Company?

13 A. Yes, sir.

14 Q. Okay. So I know that there's somebody named
15 3-2-1.

16 A. 3-2-1 Partners.

17 Q. Partners? And how much is the debt owed to
18 3-2-1?

19 A. 400 and -- approximately \$490,000.

20 Q. And that is secured by what?

21 A. The North Square Lake unit.

22 Q. And there's a security agreement on that?

23 A. Yes, sir.

24 Q. All right. And is it filed?

25 A. It's filed. Yes, sir.

1 **Q. Filed how?**

2 A. With the County -- Eddy County.

3 **Q. Eddy County? What other -- if you just kind**

4 **one by one.**

5 A. Sure.

6 **Q. What other --**

7 A. First Capital Bank.

8 **Q. First Capital Bank.**

9 A. And they're approximately 2.8 million. And
10 secured by a number of -- number of properties within the
11 portfolio.

12 **MR. BRINKMAN:** Do you have a value for that?

13 **THE DEPONENT:** I can't tell you off the top of
14 head.

15 **BY MR. HAMM:**

16 **Q. Can you say what properties they have liens on**
17 **speaking generally in the buckets?**

18 A. Oh, yes, sir. Yeah.

19 **Q. If you know.**

20 A. Yeah, in the buckets, yes. I would say the
21 gas -- the gas bucket, the Pecos Slope, which is the dry
22 and then they have on the Turkey Track -- so let's go
23 some of the waterfloods. The Turkey Track.

24 **Q. Okay.**

25 A. The Hackberry.

1 **Q. Okay.**

2 A. Lusk Seven Rivers unit. And then some of the
3 properties that are of value -- some of the others are the
4 State CF Lease and JH McClure, the Penroc, P-e-n-r-o-c,
5 two wells there, and then the Chama, C-h-a-m-a, and the
6 Niagara, N-i-a-g-a-r-a, the Fena, the Wilson, the
7 C-k-e-e, that's some -- there may be a couple other ones
8 those are -- those are the majority.

9 **Q. Are any of these in the Caprock assets --**

10 A. No, sir.

11 **Q. -- that you're talking about?**

12 A. No. There's no senior lender on the Caprock
13 It's -- it's unencumbered other than the M and Ms.

14 **MS. SIMMONS:** And the DIP.

15 **MR. HAMM:** Which DIP?

16 **MS. SIMMONS:** The larger of the two DIPs. And
17 so the record is clear, I'm not sure from Will's, there --
18 there are also replacement liens granted to First
19 I'm not sure if what he listed includes that.

20 **THE DEPONENT:** It did.

21 **BY MR. HAMM:**

22 **Q. Okay. And who are the two DIP loaners again?**

23 A. Gilmore Oil and Gas.

24 **Q. Okay. And that -- that DIP loan is what?**

25 A. 350 I believe, and it was secured by the water

1 rights.

2 **Q. I can't remember. Was that the first or second?**

3 A. That was the first.

4 **Q. That was the first DIP loan. The second one was**
5 **water?**

6 A. 750. The water -- the water, I believe.

7 **Q. And that was secured by the Caprock?**

8 A. The Caprock. Yes, sir, the pipeline, the wind
9 because the wind was unencumbered. I mean, obviously, all
10 Caprock was unencumbered.

11 **Q. Okay. What other entities besides 3-2-1**
12 **First Capital Bank -- I'm excluding M and Ms.**

13 A. Oh, understood. And then Ramsey, Dr. Michael
14 and he's owed \$250,000, and it's secured by the South
15 II unit. That's one of the waterflood buckets. And it's
16 probably the -- it's the least valuable of all the --
17 waterfloods.

18 **Q. Any others?**

19 A. On the -- I don't know how -- so Kodiak has a
20 the compressor, it's their compressor.

21 **Q. Okay. And Kodiak is 3.3?**

22 A. I believe so, yes.

23 **MR. OLDHAM:** Is it a lien on the compressor,
24 their compressor?

25 **THE DEPONENT:** Oh, it's their compressor.

1 It's -- Kodiak -- Kodiak owns that.

2 **MR. OLDHAM:** So how will they have security
3 in it?

4 **BY MR. HAMM:**

5 **Q. Okay. Fair enough.**

6 **A. Yes, sir.**

7 **MR. OLDHAM:** Sorry, I was writing.

8 **MR. BRINKMAN:** Could we get copies of the
9 Ramsey loan docs?

10 **BY MR. HAMM:**

11 **Q. Okay. And what's the total approximate debt?**

12 **A. Let's -- let's do the buckets; right?**

13 **Q. Okay.**

14 **A. So that's just kind of how we do it. So we --**
15 **covered the secured.**

16 **Q. Correct.**

17 **A. So that -- that was inclusive of Kodiak. I**
18 **it's approximately 3.3.**

19 **Q. Yes, sir.**

20 **A. So those -- so that's one silo. The next silo**
21 **going to be the AP, the unsecureds, and I believe that's**
22 **approximately, I want to say around just under 4,000,000.**
23 **--**

24 **Q. Are you including amounts listed on the**
25 **owed to owners of the companies?**

1 A. No, sir.

2 **Q. Okay. That's exclusive --**

3 A. That's exclusive of all the notes that are
4 Gilmore Oil and Gas, WS Oil and Gas, and RS Resources.
5 -- that's not --

6 **Q. WS Oil and Gas?**

7 A. Yes, sir. But that's -- again, that's a
8 bucket, yes, sir.

9 **Q. Okay.**

10 A. So just the AP, they have no ownership within
11 debtor.

12 **Q. Right.**

13 A. Then the third silo is Cargill.

14 **Q. What's Cargill?**

15 A. Cargill is a trading platform for derivatives.

16 **Q. Mm-hmm.**

17 A. And that was the unwinding of our hedges. And
18 liability is 3.8 million. It is approximately 3.8. It is
19 unsecured.

20 **Q. And it's owed to who?**

21 A. Cargill.

22 **Q. Cargill is the name?**

23 A. Incorporated. Cargill -- it's the massive
24 Corporations that own --

25 **Q. Okay.**

1 A. And then the fourth bucket would be just the
2 payable to the -- to the equity owners of the debtors.

3 Q. Some of that is also secured debt, the M and M
4 right?

5 A. Yes, sir.

6 Q. Okay.

7 A. And there were also -- within that four, there
8 also some settlement agreements that we were able to
9 pre-petition, that with a number of vendors that I just
10 ahead and kind of put that full amount there because I
11 know how that -- I did not know how filing a Chapter 11
12 affect those settlement agreements.

13 Q. Let's talk about the bank account. Would it
14 - pre-petition, how many bank accounts did Remnant
15 have?

16 A. We had two accounts at First Capital Bank.

17 Q. And what were those accounts used for?

18 A. Remnant Oil Company, Remnant Oil Operating
19 general operating purposes.

20 Q. I'm just talking about Remnant Operating right

21 A. Yes, sir. Okay, just for -- just for the
22 of the -- the field.

23 Q. So there were two accounts that Remnant
24 had?

25 A. No, my apologies. Remnant Oil Operating had one

1 account.

2 **Q. Okay.**

3 A. Remnant Oil Company had one account.

4 **Q. And were those the same accounts since the**
5 **were -- were started pre-petition dates?**

6 A. Yes, sir, correct, since formation date.

7 **Q. No other accounts.**

8 A. There are other accounts.

9 **Q. Okay.**

10 A. So prior to pre-filing, I would say 40 days
11 filing, we switched banks to Western National, WTNB.
12 me, West Texas National Bank, WTNB. And, again, it was
13 account for Remnant Oil Operating and Remnant Oil Company.

14 **Q. Why did you switch accounts 40 days prior to**

15 A. We didn't know -- having not gone through
16 before -- we had some cash at First -- at First Capital
17 and we did not know if they were going to freeze the
18 what, so we -- we just acted cautiously to open that
19 and so we can share operations because again we just
20 know how that -- how that would go.

21 **Q. Okay. You were afraid that First -- was it**
22 **Capital -- what's it called?**

23 A. First Capital Bank.

24 **Q. Bank?**

25 A. Yes, sir.

1 **Q. For your accounts or something?**

2 A. Correct. I just didn't know. Yes, sir. So
3 the pre-petition date, there were a total of four accounts
4 although there was 0 balance at First Capital Bank.

5 **Q. But only one for each company at a time.**

6 A. That's correct. Yes, sir. So I'll put it
7 Yeah, so let's just -- let's just take Remnant Oil Company
8 example.

9 **Q. Okay.**

10 A. You had one at West Texas National Bank, and you
11 one at First Capital Bank.

12 **Q. Right.**

13 A. Right. Okay.

14 **Q. Wait.**

15 A. Yes, sir.

16 **Q. Did Remnant Oil JIB non-operating working**
17 **owners --**

18 A. Yes, sir.

19 **Q. -- send JIBs to them?**

20 A. Yes, sir.

21 **Q. And what's the name of that company that handled**
22 **that for Remnant Oil? PS2?**

23 A. P2 Energy Services. A lot of times there'll be
24 references you'll see P2ES. And they're out of Fort
25 Texas.

1 **Q. Did P2ES always handle Remnant Oil Operating's**
2 **and gas accounting?**

3 A. Yes, sir. Let me -- pardon me. Let me back up.
4 were using Albeck Financial Services from January of
5 to March of 2016. From then on, P2 Energy Services
6 all -- all of our accounting. But prior to that --
7 had no JIBs.

8 **Q. Do any of the non-operating, non-operating**
9 **interest owners owe JIBs to Remnant Oil? Any**
10 **out there?**

11 A. As of right now, there's only three payment,
12 three -- three non-ops that we have in suspense and it's
13 it's less than \$1,000 in -- in -- in total. We -- we have
14 really good non-op partners, like, EOGs for instance and

15 **Q. You already testified there are no actual**
16 **agreements between Remnant -- either Remnant company and**
17 **owners; right?**

18 A. That -- that's correct.

19 **Q. I want to go through the -- just a few things on**
20 **schedules mostly dealing with what I'll call "insiders."**

21 A. Sure.

22 **Q. Did you review the schedules before they were**

23 A. Yes, sir.

24 **Q. There's -- I'm looking at Remnant Oil Operating**
25 **schedules right now and there's an unsecured debt listed**

1 **First Gray Corporation in an undetermined amount. Do**
2 **what that's about?**

3 A. That is a mistake. There's -- yeah, that should
4 amended because nothing's owed to First Gray Corporation.

5 **Q. There's \$2,700 owed to an H. Patrick Seale.**
6 **know what that's for?**

7 A. Yes, sir. That's an expense report that

8 **Q. There's \$19,409 owed to J. Britt Hirth. Do**
9 **why Remnant Oil Operating owes Mr. Hirth that -- that**

10 A. Yes, sir. It was unpaid consulting fees prior
11 employment.

12 **Q. When was Mr. Hirth employed by Remnant Oil**

13 A. His formal employment was, I want to say in
14 2018.

15 **Q. And this is an amount that's owed -- is owed**
16 **for sometime prior to that?**

17 A. He -- he was consulting for Remnant Oil
18 prior to his full-time employment.

19 **Q. Is there a consulting agreement?**

20 A. There was never a consulting agreement with
21 Mr. -- with Mr. Hirth.

22 **Q. Remnant Midstream Pipeline Company, LLC, is**
23 **a creditor of Remnant Oil Operating. Do you know why that**
24 **would be?**

25 A. No, that's -- that's a mistake.

1 **Q. Remnant Oil Operating Company is listed as a**
2 **of Remnant Oil Operating. Do you know why that would be?**

3 **MS. SIMMONS:** So I -- I can tell you why that's
4 -- I think those might have been. It's because they're
5 debtors to Kodiak and it's a contingent liability.

6 **MR. HAMM:** Does --

7 **MS. SIMMONS:** Those -- those are -- those are
8 that he wouldn't necessarily know. And I -- in fact after
9 First Gray Corp., I'd have to go back and check why
10 an undetermined amount. But it could also be because it's
11 contingent amounts. I -- I don't know off the top of my

12 **MR. HAMM:** That's fair. I just --

13 **MS. SIMMONS:** But, yeah, I -- I -- I have to
14 and look but Will might not know exactly why those --

15 **MR. HAMM:** And if he doesn't know, he doesn't

16 **MS. SIMMONS:** -- why those might have been --
17 those decisions might have been made.

18 **MR. HAMM:** That's fine. If he doesn't know, he
19 doesn't know. That's fine.

20 **MS. HUNT:** First Gray was named on the Kodiak
21 judgment, so that's probably there.

22 **THE DEPONENT:** Because I just don't --

23 **BY MR. HAMM:**

24 **Q. Do you know why Remnant Oil Field Services, LLC,**
25 **would be listed as a creditor on Remnant Oil Operating**

1 **schedules?**

2 A. I think it was the same response, that it was
3 by Kodiak as a --

4 **MR. OLDHAM:** I think it's -- whatever he just
5 Remnant Oil and Gas Limited, First Gray --

6 **BY MR. HAMM:**

7 **Q. What about Remnant Renewable Resources?**
8 **there any reason that you're aware of why Remnant Oil**
9 **- Remnant Oil Operating would owe any money to Remnant --**

10 A. Renewable.

11 **Q. -- Renewable Resources?**

12 A. Not off -- no, sir. Not off the top of my head,
13 sir.

14 **Q. That's fine. There's Remnant Oil operating**
15 **schedules, there's a \$65,906 debt owed to Seale Energy**
16 **LP. Do you know what that's about?**

17 A. Yes, sir. That was for consulting -- unpaid
18 consulting services.

19 **Q. So Seale Energy Partners, LP, performed**
20 **services for Remnant Oil Operating?**

21 A. Correct.

22 **Q. What type of consulting?**

23 A. Evaluations of -- when we -- when we were
24 together all the -- the appraisals post-acquisition, our
25 PD and P schedules, helping assist the geologists in

1 determining, you know, cross-sections, you know, these
2 services involved going to the subsurface library, better
3 understanding the communication between the various zones
4 within each of the buckets of the waterfloods.

5 **Q. Is there an agreement related to this, a written**
6 **agreement?**

7 A. It was just on a monthly -- it was just kind of
8 -- it was a verbal monthly -- monthly.

9 **Q. Are there invoices?**

10 A. There's -- no, there was -- there were invoices,
11 sir.

12 **Q. Okay. So the debtor could produce those**
13 **that --**

14 A. That's -- yes, sir.

15 **Q. Okay. So there's some documentation of that?**

16 A. Yes, sir.

17 **Q. I was going to ask why WS Oil and Gas Limited is**
18 **listed as a creditor of Remnant Oil Operating in an**
19 **undetermined amount, but I'm going to assume you don't**
20 **it's probably related to the same Kodiak issue; am I**

21 A. (No audible response.)

22 **Q. Who's Zimmerman Oil Inc.?**

23 A. He was a contract supervisor for us.

24 **Q. Okay. Now I'm going to switch over to Remnant**
25 **Company for a minute if that's okay.**

1 A. Mm-hmm.

2 **MS. SIMMONS:** And just for the record, you're
3 about the Remnant Oil Company's schedules and SoFAs?

4 **MR. HAMM:** Schedules, yes, ma'am. I will ask a
5 series of questions about debts listed on Remnant Oil
6 schedules.

7 **BY MR. HAMM:**

8 **Q. I'm looking for my first question. What -- is**
9 **debtor -- the debtor's already moved out the Claydesta**
10 **Building?**

11 A. Not yet. We will be moved before November 15th.

12 **Q. And when will the last rent check be owed then?**

13 A. We're going to prorate it. It will be prorated,
14 it will be due by the end of the month, prorated for --
15 you know, half of that.

16 **Q. Okay. So on Remnant Oil Company schedules,**
17 **W. Gray, II, is listed as a -- as a creditor in an**
18 **amount. Do you know why that is?**

19 A. I do not know off the top of my head. No.

20 **Q. Everett W. Gray, II, is also listed as a**
21 **that Remnant Oil Company owed \$353,449.08. Do you know**
22 **that is?**

23 A. That should have been WS Oil and Gas.

24 **Q. And is that related to the note that we talked**
25 **earlier?**

1 A. Some of the notes, yes, sir. That would --
2 That has been documented. Yes, sir.

3 Q. The one that Rendall Sikes put together?

4 COUNSEL: Rendall?

5 THE DEPONENT: Yes, sir.

6 BY MR. HAMM:

7 Q. Rendall Sikes. Sorry. Rendall Sikes.

8 A. Yes, sir.

9 Q. Thank you. I know Ms. Sikes. First Gray
10 is listed as a creditor of Remnant Oil Company in an
11 undetermined amount. Do you know why that is?

12 A. I do not.

13 MS. SIMMONS: Again, it was because of
14 liabilities I believe.

15 BY MR. HAMM:

16 Q. Gilmore Oil and Gas, LP, is listed as a creditor
17 the amount of \$3,578,050. Do you know why that is?

18 A. For some of the loans that he has put in.

19 Q. Is this directly related to the promissory
20 we discussed that Rendall Sikes put together?

21 A. I believe there are -- there are two promissory
22 notes, yes, sir.

23 Q. So there's two promissory notes.

24 A. I think they were broken up into two. Yes, sir.

25 Q. Why is that?

1 A. I have no -- I -- I cannot recall.

2 Q. But regardless, you can produce copies of all
3 promissory notes.

4 A. Oh, yes, sir.

5 Q. And then Gilmore Oil and Gas, LP, is also listed
6 creditor in the amount of \$3,643,000. So do you think
7 related to the other promissory note?

8 A. Yes, sir.

9 Q. And I do see there is one that's says "Notes
10 A" and "Notes Payable B."

11 A. Yes, sir.

12 Q. Why would Remnant Oil Company list royalty
13 creditors of Remnant Oil Company? Why wouldn't they be
14 creditors of Remnant Oil Operating?

15 A. Since we own -- I think it's because since we
16 the properties, we would -- we would be responsible to
17 owners that were held in suspense, meaning the minimum
18 payments that -- that --

19 Q. I'm just saying typically, the operating
20 are the ones that are responsible for paying the royalty
21 owners.

22 A. I think in this -- in --

23 Q. I don't know.

24 A. Yeah, yeah. I mean, so how I've seen it is that
25 since we're the owner of the well -- I mean, because

1 else could, theoretically operate the well, ABC Operating
2 Company. It wouldn't be them that owes them the money.
3 going to be -- it's going to be the owner of the well.

4 **Q. Okay. Is Remnant current on its royalty**

5 A. I think we are paid out -- I think we're
6 we just processed -- to answer your question, I think
7 our normal due -- in normal course of business, yes.

8 **Q. In general, if there's some Remnant affiliate**
9 **listed in an undetermined amount, do you think that would**
10 **probably relate back to the same Kodiak issue again. So**
11 **question: Remnant Midstream Pipeline Company, LLC, is**
12 **as a creditor of Remnant Oil Company in an undetermined**
13 **Do you know why that is?**

14 **MS. SIMMONS:** I think asked and answered. I
15 have to go back and check. I don't -- he -- he -- there's
16 lot of information in those schedules that weren't
17 noticed on this topic. We're happy to provide you some
18 information off the record if you got some specific

19 **THE DEPONENT:** I -- I do know specifically
20 monies owed to Remnant Midstream from Remnant Oil Company.
21 can answer that.

22 **BY MR. HAMM:**

23 **Q. How much money does Remnant Oil Company owe to**
24 **Remnant Oil Operating, if you know?**

25 A. Right now, we -- we -- we don't see it that way.

1 It's just how we handled -- it's just how we do our books.
2 -- so it's -- it's kind of one and the same. Even
3 have two separate books, Remnant Oil Operating is
4 -- Remnant Oil Company is current with Remnant Oil

5 **Q. And you said Remnant Oil Operating never JIBs**
6 **Oil Company; right?**

7 A. That's correct.

8 **Q. And that there's no operating agreement**
9 **right?**

10 A. Correct.

11 **Q. But there are separate books kept?**

12 A. Yes, sir.

13 **Q. Who keeps up with how much Remnant Oil Company**
14 **Remnant Oil Operating?**

15 A. P2 Energy Services will handle -- handles the --
16 up to the general ledger level, control level.

17 **Q. Okay. So again I'm switching back to the**
18 **Company schedules and there's a couple of entries here**
19 **Resources Limited. Okay, now, one is -- it says for**
20 **Reimbursements, Remnant Oil owes RS Resources \$20,510. Is**
21 **right?**

22 A. That's -- that's approximately right?

23 **Q. What -- what -- what expenses did RS have?**

24 A. Just over the years, fuel, his truck
25 were supposed to make his truck payments. I mean,

1 that nature. So they just -- they just accrued over a
2 period of time.

3 **Q. What -- what truck?**

4 A. Just he's -- he's got -- he's got his own truck.
5 part of that consulting agreement, verbal agreement is
6 would pay for his vehicle.

7 **Q. When were these verbal agreements reached?**

8 A. In 2016.

9 **Q. And -- and who agreed to these verbal**
10 **All the owners?**

11 A. Yes, sir.

12 **Q. WS Oil and Gas, and Gilmore Oil and Gas, and RS**
13 **Resources?**

14 A. Yes, sir.

15 **Q. And -- and according to this verbal agreement,**
16 **- what was RS owed from the company?**

17 A. Just the past expense reports that he -- that he
18 submitted.

19 **Q. That he submitted. So if RS submits an expense**
20 **report then Remnant Oil owes it.**

21 A. Well, there needs to be a back up to
22 claims on what -- on why he's owed what.

23 **Q. And who reviews these expense statements?**

24 A. The partners do.

25 **Q. Okay.**

1 A. So, for instance, if -- if Mr. Gilmore -- pardon
2 - if RS Resources submits it then both Gilmore and WS will
3 review it.

4 Q. And you're telling me it was verbally agreed
5 Remnant Oil Company would make RS Resources Limited's car
6 payments?

7 A. His truck payments. He was in the field,
8 in the field two, three times a week.

9 Q. And has -- what -- what kind of truck is it?

10 A. A Tundra.

11 Q. And had Remnant Oil always made those truck

12 A. Since the beginning, yes, sir.

13 Q. Who owns that truck?

14 A. Mr. Stitzel -- RS -- I don't know. Stitzel -- I
15 not know how that's owned.

16 Q. And another -- does Remnant Oil make any other
17 payments?

18 A. They do for the enterprise fleet for our fleet
19 vehicles.

20 Q. Is there a verbal agreement to make WS Oil and
21 car payments?

22 A. Yes, sir. I have a fleet vehicle. Yes, sir.

23 Q. And it says down here RS Resources Limited is
24 additional \$444,457 on a note payable. I thought that was
25 \$400,000 note..

1 A. A \$400,000 note, correct. He had put in
2 dollars in that we -- we hadn't mentioned earlier. It was
3 -- I think I said -- my recollection was 60,000, but I
4 that was inclusive of his -- of his reimbursement, of his
5 outstanding expense report. So if you subtract the
6 then tack on the 20,000, that would -- that's why it
7 with that approximately 60,000.

8 **Q. Understood.**

9 A. Yes, sir.

10 **MS. SIMMONS:** And just to get on the record
11 that Mr. Gray doesn't actually have a copy of the
12 statements in front of him, so we're going off of what
13 you're reading. So we don't -- we don't have a copy.

14 **MR. HAMM:** Okay.

15 **BY MR. HAMM:**

16 **Q. But it's your testimony that \$444,457 is**
17 **owed to WS Oil and Gas.**

18 A. The -- I would say 400,000. Yes, sir. The
19 would be -- would be owed to RS Resources.

20 **Q. Is there a separate note for the balance that --**
21 **think you testified that there was a -- a written loan**
22 **agreement or note for 400,000.**

23 A. Right.

24 **Q. Right?**

25 A. Right.

1 **Q. Is there some sort of written note or**
2 **the extra 44,000?**

3 A. I'd have to go back and check. I think that was
4 in 2016. I need to confirm that.

5 **Q. But you don't know.**

6 A. I don't know. No, sir.

7 **Q. Okay. And then now here's an additional entry**
8 **Resources Limited owed \$425,000 in -- in it says**
9 **you know what that is about?**

10 A. That -- I do not know what that's about. That
11 have been -- that's a mistake.

12 **Q. Well, how about -- I mean, I can print out a**
13 **this --**

14 A. No. Understood. Yeah.

15 **MR. OLDHAM:** Which one are you talking about?
16 Remnant Oil Company or Remnant Oil Operating?

17 **MR. HAMM:** Remnant Oil Company.

18 **MS. SIMMONS:** And again we have to go back and
19 There's a lot of stuff in those schedules and statements.

20 **MR. HAMM:** I'll just --

21 **MS. SIMMONS:** We -- we'd have to go back and
22 see the backup for and --

23 **THE DEPONENT:** Do you mind if I scroll back up
24 second?

25 **BY MR. HAMM:**

1 Q. Sure. Here -- here's a mouse if that helps.

2 A. I just want to see this one with -- okay. Yeah,
3 sir. No. I -- I need to go back and verify that.

4 Q. Very well.

5 MR. OLDHAM: Do you have it?

6 MR. HAMM: Is that the SoFAs?

7 MS. SIMMONS: Yes.

8 MR. OLDHAM: For Remnant Oil Company.

9 MS. SIMMONS: Okay.

10 BY MR. HAMM:

11 Q. And you prefer -- you -- well. You've
12 - the statements of financial affairs that were filed --

13 A. Yes, sir.

14 Q. -- for the debtors; right?

15 A. That's correct.

16 Q. And they're accurate to the best of your

17 A. To the best of my knowledge, yes.

18 MR. OLDHAM: Are you going to pull those out of
19 there?

20 BY MR. HAMM:

21 Q. You said Dutton, Harris and Associates does WS
22 and Gas's taxes?

23 A. Correct.

24 Q. Do you know if they also do taxes for R and S
25 Resources or Gilmore Oil and Gas?

1 A. I do know they do RS Resources. I can't speak
2 I don't think they do Gilmore Oil and Gas's.

3 Q. Do you know who does Gilmore Oil and Gas's

4 A. I do not. No.

5 Q. I'll have to ask Mr. Gilmore.

6 A. Yes, sir.

7 MS. SIMMONS: We can go off for a while. I
8 -- am I correct?

9 MR. HAMM: Absolutely.

10 COURT REPORTER: Off the record.

11 (WHEREUPON, a recess was taken.)

12 MR. HAMM: Back on the record and I have marked
13 Exhibits 9 and 10.

14 (WHEREUPON, Exhibit 9, Exhibits 10 were marked
15 identification.)

16 BY MR. HAMM:

17 Q. Can I ask a few questions about some
18 financial statements that were produced for year end 2018?

19 A. Yes, sir.

20 Q. I think that's Exhibit 9.

21 MS. HUNT: What's the Bates Stamp number?

22 THE DEPONENT: ROC-0004853.

23 MS. HUNT: Thank you.

24 BY MR. HAMM:

25 Q. Did you have any part in creating this

1 **financial statement?**

2 A. Other than just supplying data to the -- to our
3 financial advisors --

4 **Q. And who are they?**

5 A. To P2 Energy Solutions and Albeck Financial

6 **Q. And who actually created this?**

7 A. The -- this was -- the final product was Albeck
8 Financial Services, our CPAs.

9 **Q. Why did you have your CPAs do this?**

10 A. Because P2 Energy Solutions does not provide CPA
11 services.

12 **Q. But I'm asking, was there a purpose for creating**
13 **did -- was somebody asking for a balance sheet or a --**

14 A. That's -- we -- that's how -- that's how the
15 -- that's how we looked at it just on a consolidated

16 **Q. Okay.**

17 A. So we -- we do have separate financial
18 both Remnant Oil Company and Remnant Oil Operating.

19 **Q. Are there additional consolidated financial**
20 **statements besides this one?**

21 A. No, sir.

22 **Q. But there are additional ones for each company?**

23 A. Yes, sir.

24 **Q. I'm looking at page 3 which is Bates label ROC-**
25 **which is the -- lists assets and liabilities, and it says**

1 **"Total Assets \$1,058,000." That seems to be slightly**
2 **than the numbers we've been talking about today for the**
3 **of the assets. Why is that?**

4 A. So, essentially, when you look at what we've
5 our assets less depreciation, I mean we've -- we've -- for
6 value versus a market value there's -- that's just two
7 different worlds. So let's just say someone was buy or
8 a -- a brand-new Porsche for 20 bucks, but you can sell it
9 \$20,000, you'd book it that you bought it for 20.

10 So, for instance, when we bought -- you know, we
11 bought a lot of these assets, we bought -- we bought
12 inexpensively, and then, of course, because of
13 side. So -- I'm sorry.

14 **Q. And has remnant provided these consolidated**
15 **sheets to any third parties, I mean, outside of the**
16 **here?**

17 A. Just -- just our -- our financial institution
18 Capital Bank.

19 **Q. Are these accurate to the best of your**
20 **2018?**

21 A. Yes, sir.

22 **Q. So on the book value, Remnant Oil Company's --**
23 **ask this -- let me rephrase. On the book value, have**
24 **Oil Company's, has the value of Remnant Oil Company's**
25 **ever exceeded the value for the amount of its liabilities?**

1 A. I -- I apologize. Can you ask the question

2 Q. Yes. Like, I'm looking at this -- the book
3 said; right?

4 A. Yes, sir.

5 Q. Total assets \$1,058,000.

6 A. Right.

7 Q. Total liability is \$17,274,000; correct?

8 A. Right.

9 Q. So and Remnant Oil was created on or about,
10 in January 2016; right?

11 A. Yes, sir.

12 Q. Okay. So since January 2016 has the value,
13 value of Remnant Oil's assets ever exceeded the amount
14 liabilities?

15 A. No.

16 Q. Okay. I'm looking at page 5 of the consolidated
17 financial statements, ROC-4857 and there's a note "Accrued
18 Liabilities."

19 A. Mm-hmm.

20 Q. And here it says "The company has accrued
21 due to Everett Will Gray, II, Marquis Gilmore, and Robert
22 Stitzel" is that right? Is that how you pronounce it,
23 or is it Stitzel? I'm not --

24 A. It's -- it's Stitzel.

25 Q. Stitzel -- "amounting to these amounts." Did

1 of the debtors ever owe salaries to you, Mr. Gilmore,
2 Stitzel?

3 A. So those should have read WS Oil and Gas,
4 and Gas and RS Resources, and there were periods during
5 year where we didn't take salaries. Reed had, although he
6 never took a salary, he -- he would -- he, I guess, for
7 first year, accrued salaries even though he didn't take

8 Q. Okay. Now, I'm looking at the back, page 6
9 Bates label ROC-4858, and looking at the sentence that
10 "As of December 31, 2018, the Company has outstanding
11 due."

12 A. Yes, sir.

13 Q. So is this correct that as of this date one of
14 debtors had a loan due to WS Oil and Gas Limited in the
15 of \$953,449?

16 A. Yes, sir. And that was -- and again, that was
17 the assumption of the \$400,000 note from RS Resources. So
18 you look over at -- respectively, over to RS Resources,
19 see it's 44,458.

20 Q. Yes, I think you list RS Resources Limited
21 loan due of \$44,458.

22 A. That's correct. Yes, sir.

23 Q. And -- and here for Gilmore Oil and Gas as of
24 December 31, 2018, it just has 4.771 million.

25 A. That's correct.

1 **Q. Did Gilmore Oil and Gas loan additional funds?**

2 A. Yes, he did.

3 **Q. In 2019?**

4 A. Yes, sir.

5 **Q. When was that?**

6 A. All the way throughout the year in various
7 in various states.

8 **Q. And which bank account would these loans be**
9 **into? The oil company or the operating?**

10 A. Reed, sometimes, would put them in both. But --
11 pardon me, Mr. -- Gilmore Oil and Gas would wire the funds
12 both accounts sometimes.

13 **Q. So you'd have to look at both bank account**
14 **to figure it out.**

15 A. And to -- to see where -- to see where the cash
16 deposit was made.

17 **Q. Okay.**

18 A. I do know that Mr. -- I -- I do know that he's
19 in '19 around another \$3,000,000 or just under and
20 his aggregate number of approximately 7,000,000 comes into
21 play.

22 **Q. I thought at some point I'd seen in a filing**
23 **owners were converting debt to equity.**

24 A. Yes, sir. That -- that was -- was our
25 recapitalization plan that we were -- when we were going

1 to work with Baker Hughes and raise -- try to raise
2 We were going to, basically, take the notes payable that
3 due, you know, to -- to mainly Gilmore Oil and Gas and
4 WS Resources, we were going to work that to equity and
5 wipe out the -- just to be -- to pursue money. So we
6 have hard --

7 **Q. So it wasn't in the filing. That was -- I'm**
8 **stating that was --**

9 **A. Yes, sir.**

10 **Q. -- that wasn't in some documents --**

11 **A. That wasn't --**

12 **Q. -- that were produced in connection with this**
13 **proposed restructuring.**

14 **A. Yes, sir.**

15 **Q. Okay. And if you would look, I think what's**
16 **marked as Exhibit 10.**

17 **(WHEREUPON, Exhibit 10 was marked for**
18 **identification.)**

19 **BY MR. HAMM:**

20 **Q. These are just Remnant Oil Operating SoFAs.**
21 **Generally, who paid employees? Was it Remnant Oil**
22 **was it Remnant Oil Company?**

23 **A. Remnant Oil Operating would pay the -- all the**
24 **employees. Most times most funds were paid to consultants**
25 **to employees via Operating.**

1 **Q. And -- and who did Remnant Oil Company pay?**

2 A. There may had been some instances where they
3 some consultants through the oil company. So, for
4 there was, like, for -- for legal purposes or for
5 that were doing like reserve evaluations, you know,
6 third-party lender, things of that nature.

7 **Q. And looking at these SoFAs, I just have a few**
8 **questions about some of the transfers that are listed in**

9 A. Mm-hmm.

10 **Q. Again, this is Remnant Oil Company and I'm**
11 **page 8 the bottom right hand corner and looking at some**
12 **transfers to some entity called Bridge Capital**

13 A. Yes, sir.

14 **Q. Well, I guess it's page 8 of the -- once you get**
15 **the document.**

16 A. Oh, oh, oh. Yes, sir.

17 **Q. Okay. Do you see entries 3.38 through 3.41,**
18 **transfers listed --**

19 A. Mm-hmm.

20 **Q. -- Bridge Capital Corporation within the 90 days**
21 **prior to the petition date?**

22 A. Yes, sir.

23 **Q. Okay. Why were those payments made?**

24 A. Those -- so Bridge Capital Corporation was
25 Remnant in working with a lot of our vendors to try to

1 settlement plans in place.

2 **Q. Okay.**

3 A. And those were their fees.

4 **Q. And when did Bridge Capital Corporation quit**
5 **work for Remnant?**

6 A. They're still kind of helping out a little bit.

7 **Q. Okay.**

8 A. They're helping us. I mean, they were -- they
9 working with a -- you know, working with a number of
10 vendors, I think, you know, they were working with
11 Services' counsel as well and were very familiar with
12 the intricacies of -- of all of the transaction as well as
13 a number of other vendors.

14 **Q. And so is Bridge Capital Corporation still**
15 **Remnant Operating?**

16 A. They have an outstanding invoice pre-petition,
17 but right now, it's, we -- we still needed some help
18 so it was just one. That's all. So at -- so not on a
19 basis like they were.

20 **Q. In here, in the Notes section it says**

21 A. Mm-hmm.

22 **Q. What does that refer to?**

23 A. The settlement agreements that they helped

24 **Q. Oh, not that Remnant Oil had a settlement**
25 **with Bridge Capital Corporation. But you're saying that**

1 **Capital Corporation was helping set up settlements?**

2 A. Yes, sir. So, basically, suppliers or vendors
3 checked as well as "others settlement."

4 **Q. Mm-hmm. And just looking on the next page, for**
5 **example, Castillo's Licenses-To-Kill.**

6 A. Yes, sir.

7 **Q. Okay. First of all, I have to ask: What is**

8 A. He comes out to our field trailer and he kills
9 that are mentioned under the trailer. He gets out
10 there.

11 **Q. Thank you. Rattlesnakes and stuff?**

12 A. You name -- yeah, you name it.

13 **Q. So there it also says "Suppliers or Venders and**
14 **Settlement." Was there a settlement agreement with**

15 A. Yes, sir, there were a number of settlement
16 agreements that Bridge Capital put -- set -- help set in

17 **Q. But there is no settlement agreement with Bridge**
18 **Capital.**

19 A. No, sir.

20 **Q. Okay. If you'll look on page 16, I'm looking at**
21 **entry 3.87, the creditor is First Capital Bank.**

22 A. Yes, sir.

23 **Q. \$7,000.**

24 A. Mm-hmm.

25 **Q. And then in Other it says "Check and Delete**

1 **mark." What is that about?**

2 A. I don't know.

3 **Q. Okay. On page 30, looking at entries 3.171 and**
4 **3.172, the Russell K. Hall. Looks like there were**
5 **\$10,000 and \$5,911. Do you see that?**

6 A. Mm-hmm.

7 **Q. What were those for?**

8 A. Those were for third-party -- he's our third-
9 reserve auditor.

10 **Q. What did Jesse Gilmore do to earn consulting**

11 A. He does a lot of junior land work. So having
12 together just a number of -- everything that Ms. Kay,
13 needs assistance with. So division oil analysis, and
14 just, you know, land -- land information.

15 **Q. How old is Jesse?**

16 A. Jesse is 27.

17 **Q. Okay. And then beginning on page 43, through**
18 **page 49.**

19 A. Mm-hmm.

20 **Q. There's a series of transfers to Remnant Oil**
21 **correct? And how -- and typically a lot of them are round**
22 **numbers. Why were these payments made in general?**

23 A. To Remnant Oil Company?

24 **Q. Yes, sir.**

25 A. All right. So I think -- so I believe Gilmore

1 and Gas had wired money to Remnant Oil Operating and those
2 funds were then -- were then -- would be transferred
3 Remnant Oil Company to make payments on behalf of
4 Company

5 **Q. And who -- who would decide when those transfers**
6 **should be made?**

7 A. All the partners had -- had a say so whenever
8 was any --

9 **Q. And then beginning on page 50 to 52, do you**
10 **\$15,000 consulting fees paid to RS Resources I was talking**
11 **about earlier?**

12 A. Mm-hmm. Yes, sir.

13 **Q. No written consulting agreement; right?**

14 A. No, sir.

15 **Q. And then beginning on page 53 and going**
16 **58, there's a series of transfers to WS Oil and Gas,**
17 **right?**

18 A. Yes, sir.

19 **Q. Okay. When it says "Accrued Consulting Fee,"**
20 **does that mean?**

21 A. There were a lot of times during the history
22 company when I wouldn't get paid my monthly fee, so it
23 accrue.

24 **Q. Why did Remnant Oil Operating make the**
25 **pay accrued consulting fees shortly before bankruptcy?**

1 A. We felt that -- that that would be appropriate
2 to get me caught up -- help me in getting me caught up

3 Q. So is it fair to say when it says "consulting
4 that relates to the typical \$25,000 payment to WS Oil
5 And when it says "accrued consulting fee" that is a
6 some past amount due.

7 A. Correct.

8 Q. So what are the debtors' plans now?

9 A. The debtors' plans now are to work with Bill
10 to essentially make that \$6,000,000 offer come to
11 secure a letter of financial assurance from his financial
12 institution by next week to be able to submit -- to submit
13 our counsel, and then work with close -- on it, and then
14 with closing, you know, before -- before the end of

15 And, simultaneously, what we would like to do --
16 again, I mean we're -- in my mind, we're all in the same
17 here -- is to work collaboratively and say, okay, so we
18 the wind rights and we start looking at the different
19 saying who do we determine -- determine quickly. In fact,
20 during the break I -- I emailed EDF who -- who would be
21 best recommendation would be to help market renewable, you
22 know, turbines.

23 So I think we need to identify a marketing group
24 that and -- and run a process on that. And then, also,
25 determine who would be best -- best-suited to market the

1 remaining assets the -- so the four waterfloods, the gas
2 assets, and the others. And -- and we have the data.
3 we -- remember we have talked about that and how we
4 the dollars towards that.

5 It's just a simple fact of let's -- let's get it
6 there, let's have a marketing firm get out there and
7 that and see what we can do.

8 **Q. So, specifically, Mr. Briscoe's offer is on the**
9 **Caprock; is that right?**

10 A. It's on Caprock. Yes, sir. So that's for the
11 pipeline, that's for the working interest, and for the
12 rights. And that's for \$6,000,000. And so when -- so the
13 was to take any remaining capital around that. And
14 I -- you have to pardon my ignorance, I'm -- this is my
15 time having to go through bankruptcy so I don't know
16 allowed or what's not allowed --

17 **Q. Okay.**

18 A. -- with that. But, basically, I would assume we
19 would have to submit a plan to the creditors committee and
20 trustee saying this is how we think would best serve all
21 parties involved, all classes of creditors just to make
22 that, you know, we recoup or do the very best we can.

23 And -- and so -- and like you just said, I'm
24 long-winded going back to what now? How -- what's --
25 the game plan? And that is to retain North Square Lake,

1 know, reduce our debt as much as possible on divestiture
2 other assets, take whatever cash is left over and then
3 then basically rework the wells on North Square Lake.

4 **Q. Now you're -- is it fair to say that you are in**
5 **control of the debtors' bankruptcy issues?**

6 A. Myself and my two business partners.

7 **Q. Okay. Do you know when the debtors' exclusivity**
8 **period runs to file a plan of reorganization?**

9 A. I do not know. No, sir.

10 **Q. And I think I heard earlier that the debtors**
11 **out of money to operate in early December of this year; is**
12 **--**

13 A. That's right. End of November, early
14 sir.

15 **Q. Okay. And once that happens, how -- how does**
16 **operate?**

17 A. That's a very good question. I don't know the
18 to that. Obviously, the Briscoe -- the closing
19 of -- of Bill Briscoe would be monumental in making the
20 plan happen.

21 **Q. Yes. Have you -- if you -- have you put any**
22 **into putting together a plan yet?**

23 A. I have. Yes, sir, I have. Just in case --
24 some closing risks happen. This is the oil and gas
25 I've been through -- I have come up to the five yard

1 sometimes things happen, sometimes they don't. It's
2 No matter -- you know, sector agnostic. So then what?
3 And so, you know, there -- there are some
4 ideas that I would like to --

5 **MS. SIMMONS:** Just -- just be careful you're not
6 revealing any kind of privileged information.

7 **THE DEPONENT:** Yeah. That I would like to share
8 counsel so I can get their advice on.

9 **BY MR. HAMM:**

10 **Q.** Okay. Is it the debtors' intent to file a
11 reorganization and disclosure statement prior to the end
12 their exclusivity period, whenever that may be?

13 **MS. SIMMONS:** Again, that would be privileged
14 information we're evaluating.

15 **BY MR. HAMM:**

16 **Q.** Do the debtors intend to file a plan of
17 reorganization prior to their exclusivity --

18 **A.** We're -- we're currently evaluating that.

19 **Q.** Currently evaluating. Okay. Understood.

20 **MR. HAMM:** All right. I'll pass the witness.
21 you, sir.

22 **THE DEPONENT:** Yes, sir.

23 **MR. OLDHAM:** Ms. Simmons, a couple of follow

24 **EXAMINATION**

25 **BY MR. OLDHAM:**

1 **Q. Who's Energy IR, LLC?**

2 A. Energy IR, LLC was an individual that was hired,
3 Holmes, to help assist in identifying qualified
4 the Reg D offering.

5 **Q. Okay and that was Reg D offer; is that correct?**

6 A. It never transpired.

7 **Q. Was that supposed to be through Cargill or was**
8 **different?**

9 A. Oh, Cargill is completely separate.

10 **Q. Okay. So when did -- when did those plans get**
11 **canceled?**

12 A. Everything came to an end in June and I think
13 when we had discussions with Baker Capital Solutions that
14 unfortunately we had -- both teams had worked tirelessly
15 to -- to come to an agreement. I think once we realized
16 it just it wasn't going to happen, that's when we said,
17 know what, let's -- we just need to be kind of going into
18 Chapter 11 and just -- and see what we can do from there.

19 **Q. Okay. Mr. Hamm asked you about the SoFAs for**
20 **Oil Operating, LLC.**

21 A. Yes, sir.

22 **Q. I'm looking at the Remnant Oil Company, LLC,**
23 **I don't believe that I have an extra copy so you're just**
24 **to have to -- I'll represent to you that I'm reading right**
25 **the page. It looks like there's a series of transfers**

1 from 30,000 to 38, 35, 10,000, a number of different
2 to Remnant Oil Operating from Remnant Oil Company.
3 just listed as intercompany transfers. What's the gist of
4 this?

5 A. It was -- it was some of the same functions
6 when Gilmore Oil and Gas would wire money in, sometimes it
7 would be into Remnant Oil Operating and sometimes it would
8 into Remnant Oil Company. And so, obviously, which entity
9 needed the cash, an intercompany transfer would occur.

10 Q. Okay. How else would Remnant Oil Company have
11 money to transfer to Remnant Oil Operating other than Mr.
12 Gilmore's entity --

13 A. Just --

14 Q. -- wiring.

15 A. Through the -- the sale of oil and oil and gas
16 for that purpose.

17 Q. Okay. Payroll was run through Remnant Oil
18 correct?

19 A. That's correct. Yes, sir.

20 Q. Okay. And the consulting fees were paid by
21 as well?

22 A. Yes, sir. There may had been sometimes some
23 consulting fees were paid by Remnant Oil Company dependent
24 the services that were provided by the consultant.

25 Q. Okay. So for the WS Oil and Gas, Limited, the

1 various transfers -- that -- and that's your company;

2 A. That's correct.

3 Q. The ones that say "accrued consulting fee,"
4 a different consulting than the consulting you did for
5 Oil Operating?

6 A. It -- you know, there was no duplication.

7 Q. Okay. 4.24 is 7/31/2018. It says it's for loan
8 repayment to WS Oil and Gas Limited. Were there
9 that were made to Remnant Oil Company as opposed to
10 Operating?

11 A. I would have to go back and look.

12 Q. Okay. Does Remnant Oil Company owe WS Oil and
13 Limited money based on prior loans as of the filing?

14 A. Yes, sir.

15 Q. Okay. And is that different than the amounts
16 we've already covered?

17 A. No, sir.

18 Q. Okay. The loans that were made from WS Oil
19 Limited, were they made to Remnant Oil Operating or
20 Company?

21 A. Remnant Oil Company.

22 Q. Okay.

23 COUNSEL: Okay.

24 MR. OLDHAM: Is that 11? What exhibit number
25 at?

1 **THE REPORTER:** 11.

2 **MR. OLDHAM:** 11?

3 **(WHEREUPON, Exhibit 11 was marked for**
4 **identification.)**

5 **BY MR. OLDHAM:**

6 **Q.** I'm going to hand you Confidential Information
7 **Memorandum. I believe this was prepared by Seaport, ROC-**
8 **through ROC-2258.**

9 **A.** Thank you.

10 **Q.** Take a look at it and let me know if -- if you
11 **recognize the document.**

12 **A.** Yes, sir. I recognize the document.

13 **Q.** Are those the marketing materials that Seaport
14 **has used to market the Caprock assets?**

15 **A.** One second. I'm turning just to make sure
16 the --

17 **Q.** Okay.

18 **A.** -- page 8. Yes, sir, this is the -- the
19 information memorandum used by Seaport to market the
20 assets.

21 **Q.** Are Caprock assets currently producing?

22 **A.** The -- there are some assets producing on the
23 Caprock, yes. The Rock Queen unit --

24 **Q.** Okay.

25 **A.** -- there -- is not -- is not producing.

1 **Q. Okay. What assets are producing?**

2 A. The Drickey Queen Sand unit.

3 **Q. Uh-huh.**

4 A. And I believe the Wakan Tanka one of them, one
5 wells is, and Karankawa. Spelling is, I apologize, is
6 be difficult, but Wakan Tanka is W-a-k-a-n, Wanka -- W-a
7 that's wrong. W-a-n-k-a T-a-k-a-n (sic) and the
8 a-r-a-n-k-a-w-a.

9 **Q. Okay. So two wells are producing but the others**
10 **not?**

11 A. Well, the Drickey Queen unit which is the
12 single unit is producing. It's at 10 barrels a day
13 It's basically, it's -- we just have a lot of wellbores
14 are slow in production. They have -- they have holes in
15 tubings, very simple mechanical issues.

16 **Q. But they are producing.**

17 A. Yes, sir.

18 **Q. Okay. Who are you selling oil to?**

19 A. HollyFrontier.

20 **Q. Okay. If you flip to the back of it, it says**
21 **financials or company financials.**

22 A. Sure.

23 **Q. It's probably the last five pages or so.**

24 A. Okay. I'm just looking for it. I have
25 Highlights as the last page. Producer. We don't want

1 don't want the diagrams. Fresh Water -- Potential --
2 Water.

3 Q. Let's just turn to the last page. That's fine.

4 A. Yes, sir.

5 Q. Let's just start there.

6 A. Okay.

7 Q. Do you see the part where it talks about the CO2
8 compressor unit with 4,500?

9 A. Yes, sir.

10 Q. Do you see where --

11 A. Yes, sir, I see it. Yes, sir.

12 Q. This is where it gives me heartburn. It doesn't
13 "this doesn't belong to us." It doesn't say "this is
14 compressor. They own it." It just lists it on there as
15 it's an asset that's open to being sold.

16 A. Okay.

17 Q. Do you agree with anything I've just said?

18 A. I do not.

19 Q. Okay. Why?

20 A. It's just -- because it says "available."

21 Q. You agree it's -- the debtors don't own the
22 compressor.

23 A. Agreed.

24 Q. Okay.

25 A. In the marketing, Seaport did make it clear we

1 own the compressor.

2 **Q. I got you. Why didn't you put WS Oil and Gas**
3 **in the bankruptcy?**

4 A. I don't know.

5 **Q. Why didn't you put First Gray Corporation in the**
6 **bankruptcy?**

7 A. I don't know.

8 **Q. From the wells -- the assets from New Mexico, do**
9 **of them cover P and A liability?**

10 A. There is P and A liability within the entire
11 portfolio bar, yes.

12 **Q. Okay. Sorry. Go ahead.**

13 A. Yes, sir, there is approximately 10 wells that
14 to be -- that have been identified as P and A.

15 **Q. Okay. They currently need to be P and A?**

16 A. Yes.

17 **Q. Okay. Are those within the Caprock assets?**

18 A. There is -- there's several. I don't know the
19 number, but there's several within the Caprock Assets.

20 **Q. Okay. And do the debtors have any bonds or**
21 **for the P and A work?**

22 A. The schedule of -- so with the bonding, we are
23 based upon the new requirements. Under the State of New
24 Mexico, we are deficient in our current bonding.

25 **Q. Okay.**

1 A. They raised the bonding to just -- on -- on all
2 different levels. So, meaning, you get a blanket bond
3 went from 50,000 to 250. That was one issue. So we're
4 with the BLM on our bonding, but we're deficient with
5 with the what they call the New Mexico Oil Conservation
6 Division both on our blanket bond and our single well

7 **Q. Is that -- the blanket bond, is that for just**
8 **operating wells or is that for specifically P and A work?**

9 A. That's for just -- just basic operating.

10 **Q. Okay. Do you have any specific P and A bonding?**

11 A. Yes, we do.

12 **Q. Okay. What is that?**

13 A. I believe there's approximately 27 wells.

14 **Q. Okay.**

15 A. And what they call under P and A it's -- it's
16 they -- how New Mexico classifies it as inactive wells
17 classified as any oil that has not produced in the past 15
18 months.

19 **Q. Do you agree with that?**

20 A. Oh, that's -- yes. So -- so -- so, for instance

21 **Q. I mean --**

22 A. I'm --

23 **Q. -- do you have any wells that haven't produced**
24 **past 15 months but which you're trying to rework as**
25 **plug and abandon.**

1 A. Absolutely, yes, sir.

2 Q. Okay. And did you have to put up a either a
3 bond or purchase insurance for any of the P and A?

4 A. So we have our surety bonds through the same
5 -- with our travelers insurance.

6 Q. Okay.

7 A. They -- they -- they do all of our surety
8 of course they -- they do -- they cover all of our bonding
9 A to Z.

10 Q. Okay. Do you -- did you have to put up anything
11 escrow as part of that?

12 A. No, we did not.

13 Q. Okay. In other words, once you plug and abandon
14 wells, there's no money to be returned.

15 A. That's correct.

16 Q. Okay.

17 A. We just don't pay the premium any more in that
18 particular well.

19 Q. Okay. Did both of the debtors file tax
20 2018?

21 A. Yes, sir.

22 Q. How about 2017?

23 A. Yes, sir.

24 Q. And 2016?

25 A. Yes, sir.

1 Q. Were those filed recently or were they at the
2 the year? Do you know?

3 A. '16, '17 and then we completed '18 prior to the
4 deadline.

5 Q. Okay.

6 MR. OLDHAM: Let's mark this as Exhibit 12.

7 (WHEREUPON, Exhibit 12 was marked for
8 identification.)

9 BY MR. OLDHAM:

10 Q. Do you recognize Exhibit 12?

11 A. Yes, sir, I do.

12 Q. Do you see at the bottom of the email. I forget
13 the gentleman that sent -- that sent it to you.

14 A. It was James Obulaney from Denham Capital.

15 Q. Yes, sir. Do you remember receiving that?

16 A. Yes, sir, I do.

17 Q. Do you see the -- and I apologize, I --
18 don't -- I only have one copy. Do you see the provision
19 he is mentioning the deal with Trinity Midstream?

20 A. Yes, sir.

21 Q. Can you read that sentence for us?

22 A. "Thanks Will. Could you give me the quick
23 the Trinity deal? Which -- what pipeline is being
24 them? (I thought Kinder owned the pipe)."

25 Q. And then above that you responded to him.

1 A. Yes. "We own the 18.5 mile CO2 pipeline."

2 Q. So when he -- the gentleman reaches out to you
3 Denham Capital and says which pipeline are you divesting
4 Trinity. The deal that we talked about earlier today
5 March of 2018; right?

6 A. Mm-hmm.

7 Q. There haven't been any current plans to divest
8 pipeline to Trinity since the bankruptcy filing; correct?

9 A. Right. We just submitted that letter of
10 them. They were -- Denham Capital is a private equity
11 --

12 Q. Okay.

13 A. -- and we were -- we were attempting to be PE-
14 by them --

15 Q. Okay.

16 A. -- as part of the restructure from Chapter 11.

17 Q. So when he says he talks about the Trinity
18 pipeline or the pipeline you're divesting to --

19 A. Mm-hmm.

20 Q. -- Trinity Midstream, one could read that and
21 oh, he believes that the pipeline is still being
22 Trinity Midstream as of September 2019; right?

23 A. During the conversation that we spoke --

24 Q. Okay.

25 A. -- what we talked about was part of the deal

1 based upon their financial balance sheet as a private
2 sponsor, Trinity would buy the pipeline -- we could go
3 look -- and so therefore it would reduce their amount of
4 capital to their entry cost.

5 **Q. When was the last time you talked to anybody**
6 **Trinity?**

7 A. I talked to -- I talked to Trinity probably
8 month ago.

9 **Q. Okay.**

10 A. The CEO.

11 **Q. They said we wouldn't do the deal before because**
12 **financials were in disarray, but now that you filed**
13 **we're in?**

14 A. They said --

15 **Q. Okay.**

16 A. -- basically if someone comes in that is a
17 operator that has strong balance sheet, we would
18 -- we would reconsider selling the pipeline, or, pardon
19 would reconsider buying the pipeline.

20 **Q. Okay. Did Denham Capital contact you?**

21 A. No. The -- the last email that we received from
22 Denham is -- they did quite a bit of work on it. It was
23 unfortunately, just due to the negative cash flow that
24 it wasn't kind of on their -- it just wasn't
25 -- they were -- they were looking for something that was

1 flow positive right off the bat, to back a conventional

2 **Q. I got you. You testified earlier that Kodiak**
3 **shut down the compressor unit. Is that what you testified**

4 A. That was correct.

5 **Q. Okay. Is the reason they -- you couldn't**
6 **compressor unit because of the monies due to Kodiak, or is**
7 **because of the electricity that it took to run the giant**
8 **compressor?**

9 A. It was a combination of -- of all of -- of all
10 operational expenses associated with running the Rock
11 unit.

12 **Q. Okay. How much was it a month to run the Rock**
13 **unit?**

14 A. To run the Rock -- Rock Queen unit, it
15 just the -- just the electrical bill for the compressor
16 around \$115,000 a month. And then that's when production
17 started to drop so therefore it was -- that's -- that's
18 course, we couldn't make payments to vendors.

19 **Q. I got you. The money from oil and gas sales**
20 **shows up on the budgets have been submitted, and where**
21 **money come from?**

22 A. It comes directly from -- there's multiple
23 - or pardon me, buy markers.

24 **Q. Mm-hmm.**

25 A. So HolyFrontier --

1 **Q. Okay.**

2 A. -- and also Plains. Those are our two crude
3 marketing companies.

4 **Q. Okay.**

5 A. HolyFrontier does direct deposit. Plains writes
6 check.

7 **Q. And so if there's money that shows up as cash**
8 **the production, I want to say -- I forget the**
9 **It's from either HolyFrontier or Plains --**

10 A. Plains Marketing.

11 **Q. -- for the sale of oil.**

12 A. Correct. Yes, sir.

13 **Q. Okay. And the sale of what you said there was**
14 **two -- two units on the Caprock assets that produced right**

15 A. Right.

16 **Q. And they were dividends.**

17 A. Dividends.

18 **Q. Okay. So which of the actual wells are**

19 A. So everything -- so when you look at the five
20 waterfloods, there's production on the five waterfloods
21 there's production on the what we call "the others"
22 the five waterfloods.

23 **Q. The 45?**

24 A. Yes, sir.

25 **Q. Okay.**

1 A. It's approximately 125 gross barrels a day.

2 **Q. For --**

3 A. For the entire portfolio.

4 **Q. The 5 and the 45?**

5 A. For the entire portfolio would be oil and gas --
6 Caprock and non-Caprock is 125 barrels a day.

7 **Q. Okay. And I think you said it was about 8**
8 **day of Caprock assets.**

9 A. It was 10 barrels for the Drickey and -- yeah,
10 around, approximately 10 barrels a day on the Caprock

11 **Q. Okay. So 115 per day on the five waterfloods**
12 **--**

13 A. Others.

14 **Q. -- what did we call them, for the one-off?**

15 A. And the -- the gas is throwing off about 600 Mcf
16 day right now. The problem with the net gas is that the
17 differential for the Waha Basis is -- it's negative.

18 **Q. So you're not selling any gas?**

19 A. No, we are selling gas, but revenue checks
20 the 30 to \$40,000 range. They've gone down to \$1,000.

21 **Q. Okay.**

22 A. Because of the differential.

23 **Q. Is HolyFrontier claiming some of the gas?**

24 A. No. IACX -- we have -- we have multiple gas

25 **Q. IACX?**

1 A. Yes, sir. That's one. We're talking about
2 - there's probably maybe five of them.

3 Q. Sure.

4 A. So we have IACX, Lucid Energy, DCP, Targa --

5 Q. Okay.

6 A. -- Energy Transfer, and Frontier.

7 Q. Okay. So if we see cash inflow here, it's
8 from HolyFrontier, Plains Marketing or one of the five you
9 named.

10 A. Right. But since gas is so, basically, it's
11 the Permian, it's -- it's going to be primarily from
12 Plains.

13 Q. Okay. And how much of the -- between the five
14 waterfloods and the 45 one-off units, I think we said
15 approximately 115 barrels a day.

16 A. Correct.

17 Q. What's the split between the 5 waterfloods and
18 one-off wells?

19 A. I'm going to say the 45 one-offs are probably
20 around 45 barrels a day.

21 Q. Okay, so --

22 A. Or 40 barrels a day -- say 40 --

23 Q. Okay, so --

24 A. -- I think is a -- is a good number.

25 Q. Okay. And then the five waterfloods, is there

1 A. The North Square Lake right now is the leader.

2 **Q. Okay.**

3 A. We -- we were able to do some work out there
4 with Reed's capital prior to pre-petition, prior to filing
5 which really helped out.

6 **Q. How many barrels a day for the -- for the North**
7 **Square Lake unit?**

8 A. We're doing somewhere between I would say 50
9 Somewhere there. It's a weird unit. Some days it's 50,
10 days it may be 80. It's -- it's really random how it
11 On average, I would say, let's just say, you know, 60.

12 **Q. Okay.**

13 A. We were down. We lost our H pump which hurt
14 production last month because we couldn't inject our water
15 dispose our water, so but that was fixed. That was part
16 -- that was part of the 13-week budget that we submitted
17 there to -- to fix the pump to get the production back up,
18 the production is back up now.

19 **Q. Okay. As far as field hands, who's working on**
20 **North Square Lake unit?**

21 A. We have three. So on the five waterfloods, we
22 three full-time employees.

23 **Q. Okay.**

24 A. Chad Murray, Roberto Dela Cruz, and Timothy

25 **Q. Okay. And what about for the 45 one-offs?**

1 A. Those are a lot of our -- I would say maybe 10
2 those, 10 or 15 of those are still covered by three of
3 company pumpers because they're somewhat in close
4 the five waterfloods.

5 **Q. I got you.**

6 A. And then we have our four consultants --
7 pumpers.

8 **Q. Okay. And then for the Caprock Assets?**

9 A. We had four -- we had four pumpers and let one
10 of tomorrow. That's, you know, one of the employees.
11 just to kind of cut cost a little more.

12 **Q. Okay. Whose manning the -- the water wells?**

13 A. Our -- our field foreman, Arnie Baeza.

14 **Q. Okay.**

15 A. He's based at Caprock and he's been at Caprock
16 2007. So he's probably one of -- he is, I would say,
17 our most valuable assets.

18 **Q. And so since he's at Caprock, if you sold**
19 **theoretically, those employees would go with the assets?**

20 A. Yeah.

21 **Q. Is that the practice?**

22 A. Yes, sir.

23 **Q. Okay.**

24 A. So right now when you look at Caprock from a
25 perspective, it's a burn rate of probably of about \$70,000

1 month.

2 **Q. Right now?**

3 A. Yes. Because the reason for that is you have
4 the personnel on there, and then you have what we're doing
5 maintain -- the one thing that we have to do is in order
6 maintain the unit -- unitization agreement on the Rock
7 which is one of the -- which is one of the high --
8 to either produce oil or show secondary efforts which
9 have got to put water into the ground which equates to
10 two large H pumps and it's still a very high electric
11 It's still, probably 30,000 to run those two H pumps.

12 **Q. I got you.**

13 A. So that's -- so we cannot lose that unit.
14 that has to protect our -- that has to protect all of us.

15 **MR. HAMM:** How many wells are in North Square

16 **THE DEPONENT:** North Square Lake it's around
17 around -- between injectors and producers, probably
18 Somewhere around there. That property is, like I said, is
19 it's a very good property. It's probably, when you look
20 margins and what the buzz words are in the Permian, that
21 it's a phenomenal property. It -- it would take enough
22 like Caprock would. It's a \$100,000,000 CAPEX to fully
23 that unit. It was the same as Caprock.

24 That's why -- that's why we want to retain
25 order to reorganize around that one asset. It's -- it's

1 perfect. The cash flow's -- and our goal is -- a part
2 to go back and I don't want to say too much, but part of
3 goal is to reduce or G and A. I mean, go -- go bare
4 that's -- we have to have it.

5 **MR. HAMM:** What are you all netting off that
6 Square Lake right now?

7 **THE DEPONENT:** I'd say right now -- well,
8 it's probably throwing off 20 to 25,000 a month right now.
9 When we got --

10 **MR. HAMM:** Net.

11 **THE DEPONENT:** -- we've got -- net. And we've
12 wells shut.

13 **BY MR. OLDHAM:**

14 **Q. I think we talked about it. It hasn't been**
15 **for sale; correct?**

16 **A.** Right now we do have -- someone did reach out
17 that. As I mentioned previously, one of the gentleman --

18 **Q. Did you market it? You haven't marketed it yet.**

19 **A.** I -- I've reached out to -- to an individual.

20 **Q. Okay.**

21 **A.** We -- if we have to, we will do -- I mean, we
22 we will confer with counsel and my two partners to better
23 understand what's, you know, what we need to do
24 to --

25 **Q. Okay. But my question is it seems like your**

1 **real asset that's cash flow positive at least as of**
2 **not currently being marketed for sale; is that correct?**

3 A. That's correct.

4 **Q. Okay.**

5 A. But there is -- when you look at that property
6 though, although it does cash flow, you have to remember
7 well -- it's a wellbore-only property. That's one of
8 that's the only hickey it has on it. So within the
9 I'm sure within all the documents, the individual that has
10 undeveloped acreage, if we had the -- if we had that
11 then -- then it would be very simplistic to market that.

12 But right now the other issue is besides it
13 wellbore only, it has an extremely low what they call a
14 Revenue Interest Reach, NRI. So it's 100 percent working
15 interest and a 61 percent net revenue interest.

16 **Q. Mm-hmm.**

17 A. But we bought it -- we bought it that way
18 that. But we bought the asset to be the operator of
19 be the fly in the ointment.

20 **Q. Okay.**

21 A. You can only have one operator of record on a
22 So therefore his undeveloped acreage would have to come
23 us to develop that. And he's very friendly with Remnant.
24 -- he's -- he's a very -- a very good guy.

25 **MR. HAMM:** Who is that?

1 **THE DEPONENT:** His name is Chris Rosenfeld. His
2 you will see North Square Lake Drilling.

3 **BY MR. OLDHAM:**

4 **Q.** And pardon JT's liberal arts brain. I thought
5 said earlier that that was by far the most valuable asset.

6 **A.** It is.

7 **Q.** And what you just said was there's hair in
8 that's why it hasn't been marketed.

9 **A.** I -- I apologize. It's the most -- because when
10 say "it's the most valuable" and you look at the PDP value

11 **Q.** I didn't say that.

12 **A.** I guess -- no. I guess -- I'm sorry -- I'm
13 What I'm saying is, yes, it is the most valuable because
14 have to look at what the reserve value is.

15 **Q.** Okay And so --

16 **A.** So just because it's the most valuable doesn't
17 it's the most marketable.

18 **Q.** I got you. So even though it's the most
19 because it's not the most marketable it hasn't been

20 **A.** That's correct.

21 **Q.** Okay. Have you given any thought to doing

22 **A.** Yes. We've given thought to everything.

23 **Q.** Okay. Why isn't that being done now?

24 **A.** Again, we were waiting -- as previously
25 were waiting to see what was going -- what was going to

1 on the Caprock's -- Caprock offers.

2 **Q. How has that played out?**

3 **MS. SIMMONS:** Objection. Asked and answered.

4 been -- we've been down this road before. I feel like --

5 **MR. OLDHAM:** Yeah. You are right.

6 **MS. SIMMONS:** -- we're beating a dead horse at
7 point.

8 **BY MR. OLDHAM:**

9 **Q. Here -- here -- here, the -- the bid -- the bid**
10 **deadline has come and gone. The offers are not here.**
11 **you going to do? That's the question. We're past the**
12 **standing around with our hands in our pockets. We need**
13 **something to happen. What would be a reasonable**
14 **divest of the other assets, the non-Caprock assets.**

15 **A.** Right. So looking with --

16 **MS. SIMMONS:** Objection. This -- again, this is
17 outside the scope at this point. I mean --

18 **MR. OLDHAM:** Okay. You still have to answer.

19 **MS. SIMMONS:** You can answer.

20 **THE DEPONENT:** Okay. So to work with Mr.

21 --

22 **BY MR. OLDHAM:**

23 **Q. So for the non-Caprock Assets.**

24 **A.** Oh, for the non -- it -- it would be to --
25 decide who to go market those assets with. What -- what's

1 most appropriate firm? Is it PLS or is it Energy Net?
2 then, simultaneously this week, understand who would be
3 best to market the wind rights to do that immediately.

4 **MR. HAMM:** Do you think Rosenfeld has any
5 buying this North Square Lake?

6 **THE DEPONENT:** I have a call scheduled to him
7 tomorrow.

8 **MR. HAMM:** Okay. He seems like he'd be the
9 guy if it was going to happen.

10 **THE DEPONENT:** He's -- he -- I understand.
11 I have a call into him.

12 **MR. OLDHAM:** I appreciate your time, sir.

13 **THE DEPONENT:** Yes, sir.

14 **MR. HAMM:** All right. Well, you all drive safe.
15 you going back to --

16 **THE REPORTER:** Does that conclude the

17 **MR. BRINKMAN:** I have one or two follow ups.

18 **MR. OLDHAM:** Oh, sorry.

19 **THE DEPONENT:** Yes, sir.

20 **BY MR. BRINKMAN:**

21 **Q.** Do you know who the owners are of 3-2-1

22 **A.** Yes. It's -- well, I know of one partner. I
23 know if there's multiple partners. I just know one.

24 **Q.** Who's that?

25 **A.** Thomas Howes.

1 **Q. Okay. How did you find them previously?**

2 A. I have known Tom as an investor for a couple of
3 years.

4 **Q. Has there been anything else he's invested in**
5 **you?**

6 A. No. In the past, he was invested in Dala

7 **Q. What was that?**

8 A. That was another company that was listed
9 that I used to work for.

10 **Q. Okay. Are there any other business dealings**
11 **in the past?**

12 A. Other than what's mentioned? No.

13 **Q. Okay. One of the things that were asking**
14 **the valuations or estimates for your reserves by a reserve**
15 **engineer. Do you have anything like that?**

16 A. Yes, sir.

17 **Q. Okay.**

18 A. Yes, sir.

19 **MR. BRINKMAN:** Were those part of the -- the
20 that were produced last month?

21 **MS. SIMMONS:** We have already been producing
22 productions.

23 **MR. BRINKMAN:** Okay.

24 **MS. SIMMONS:** Okay.

25 **BY MR. BRINKMAN:**

1 **Q. Was that generated by Britt Hirth?**

2 A. No, sir. That was generated by Russell K.
3 Associates.

4 **Q. Are they an outside firm that you hired?**

5 A. Yes, sir.

6 **Q. Where are they located?**

7 A. In Midland, Texas.

8 **Q. Your projection on cash usage where you said you**
9 **about a month -- early December, late November, does that**
10 **include any spending on additional marketing?**

11 A. I mean, anyone that we hire to market's going to
12 on -- it has to be on success basis.

13 **Q. Okay.**

14 **MR. BRINKMAN:** No further questions.

15 **THE REPORTER:** That concludes the deposition.

16 **MS. HUNT:** Yes.

17 **THE REPORTER:** All right. Ms. Hunt, would you
18 the original transcript?

19 **MS. SIMMONS:** I don't know. I do not handle

20 **THE REPORTER:** Do you want the transcript?

21 **MR. HAMM:** Yes, I do.

22 **MS. SIMMONS:** Well, we want the transcript,
23 Gray would you like him to review?

24 **THE REPORTER:** Yes, so you'll get the transcript

25 --

1 **MR. OLDHAM:** Do you want to read and sign?

2 **THE REPORTER:** Do you want to read and sign for
3 -- do you want me to send that to Ms. --

4 **MS. SIMMONS:** Yes.

5 **THE REPORTER:** All right. So you'll take a

6 **MS. HUNT:** A copy.

7 **THE REPORTER:** All right. Mr. Oldham, would you
8 a copy?

9 **MR. OLDHAM:** Yes. I just want a, like, a
10 version.

11 **THE REPORTER:** No problem. And Mr. Hamm, you
12 you'd like a copy?

13 **MR. HAMM:** Yes, please.

14 **THE REPORTER:** All right.

15 **(WHEREUPON, the deposition of EVERETT WILLARD**
16 **II, was concluded at 6:15 p.m.)**

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CERTIFICATE

I, Ryan Batterson, do hereby certify that I reported all proceedings adduced in the foregoing matter and that foregoing transcript pages constitutes a full, true, and accurate record of said proceedings to the best of my ability.

I further certify that I am neither related to counsel or any part to the proceedings nor have any interest in the outcome of the proceedings.

IN WITNESS HEREOF, I have hereunto set my hand this 11th day of November, 2019.

/S/ Ryan Batterson

1 Date: November 12, 2019 Assignment #: 32197-1

2 Attorney: Bethany Simmons, Esquire

3 Deponent: Evertt Gray, II

4 Case: Remnant Oil Company

5

6 **ATTORNEY - TRANSCRIPT ENCLOSED:** Signature of your client
7 is required. Please have your client make any corrections
8 necessary. Sign the Correction Sheet where indicated.

9 Forward a COPY of the executed Correction Sheet
10 the attorney(s) listed below. (The Address(es) can be
11 on the Appearance page of the deposition.) Also, send a
12 COPY of the executed Correction Sheet to our corporation.

13

14

15

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19

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21 CC: Naegeli Deposition & Trial

22 Kelsi Hunt, Esquire

23 John Oldham, Esquire

24 Blake Hamm, Esquire

25

1 | CORRECTION SHEET

2 | Deposition of: Evertt Gray, II Date: 10/23/19

3 Regarding: Remnant Oil Company

4 | Reporter: Batterson/Taylor

6 Please make all corrections, changes or clarifications
7 to your testimony on this sheet, showing page and line
8 number. If there are no changes, write "none" across
9 the page. Sign this sheet on the line provided.

10	Page	Line	Reason for Change
----	------	------	-------------------

11

12 | _____

13 | _____

15 | _____

16 | _____

17 | _____

20 | _____

21 | _____

22 | _____

23 | _____

24 | Signature

25 | Evertt Gray, II

DECLARATION

Deposition of: Evertt Gray, II Date: 10/23/19

Regarding: Remnant Oil Company

Reporter: Batterson/Taylor

I declare under penalty of perjury the following to
be true:

I have read my deposition and the same is true and
accurate save and except for any corrections as made
by me on the Correction Page herein.

Signed at _____,
on the _____ day of _____, 2019.

Signature _____

Evertt Gray, II

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